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MANAGEMENT

Opel pulls ahead in east Germany

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World News | Business Summary

Hostage saga nears end with release of Anderson

Terry Anderson, the longest-held western hostage in Lebanon, became the third and final American freed in as many days, signalling the end of the decade-long crisis. Hopes rose in Bonn that the two remaining western hostages, both German aid workers, would soon be released. Page 16

Arabs wait in vain

Three Arab delegations waited fruitlessly in Washington for Israel to attend the start of bilateral peace negotiations. They warned they might not be available next Monday when Israel has promised to be present. Page 4

Hong Kong doubt

Early establishment of Hong Kong's proposed court of final appeal was put in doubt when the colony's Legislative Council urged Britain and China to renegotiate the agreement on its composition. Page 4

Duke challenges Bush

Former Ku Klux Klan leader David Duke said he will seek the Republican presidential nomination, opening President George Bush to a challenge from the far right. Page 6

Anglo-Irish pledge

The British and Irish prime ministers agreed in Dublin to hold twice-yearly meetings and both promised to push for renewed peace talks on Northern Ireland. Page 9

Natal clashes kill 16

A night of fighting between rival black South African factions armed with guns, spears and knives killed at least 16 people in Natal.

Nuclear wasteland

Nuclear accidents and waste have made significant parts of Russian territory uninhabitable for decades, the republic's environment minister said.

Garcia trial unlikely

Peru's former president Alan Garcia is unlikely to face trial on charges of illegally enriching himself. A supreme court judge decided there is insufficient evidence. Page 6

East Timor death toll

East Timor's governor said far more people were killed than the army claimed when Indonesian troops fired on mourners last month and most were shot while praying. Page 4

Athens blackout

Athens suffered power cuts as Greek workers started a 48-hour strike in protest against plans for a partial sale of public utilities. Page 3

Hanoi frees detainees

Hanoi has started to free the last of its Vietnam War detainees, apparently fulfilling a US condition for normalising ties with Washington. Page 4

Drug smugglers hanged

Four heroin smugglers, two of them Afghans, were hanged in the north-eastern Iranian city of Mashhad.

French drink most

The French drink about half as much alcohol as they did a generation ago but still top Europe's league of drinkers, French government figures show. The drinkers of Luxembourg and Spain rate second and third.

Court orders Accor to raise bid for Wagons-Lits

French hotels group Accor was told by Brussels commercial court to raise its FFr2.2bn ($390m) bid for Wagons-Lits, the Franco-Belgian travel company, by as much as FFr1bn. The court ruled that Accor and its bid partner, Société Générale de Belgique, had taken effective control of Wagons-Lits in June 1990, when they bought a 26 per cent stake at BFr12,500 a share. The two companies launched their joint bid two months ago at BFr8,650 a share. Page 17

JAPAN'S ECONOMY performed more strongly than expected in the third quarter, posting a 4.2 per cent increase compared with the same three months in 1990. Page 16

CHRISTIANIA BANK, Norway's second biggest, is to receive a NKr5.14bn ($809m) state injection and warned it would seek up to NKr3bn in additional state support during the first quarter of next year. Page 17

NORA BEVERAGES, Canadian mineral water company, has filed a lawsuit against Perrier of the US alleging Perrier copied a plastic bottle developed by Nora. Page 19

SEAGRAM, Canadian-based international drinks group, reported an 8.4 per cent rise in third quarter operating profits to $205m against $190m a year earlier. Page 18

VIAG, German conglomerate, forecasts a sales rise of 25 per cent this year to DM25bn ($15.5bn) and a profits increase to more than DM400m from DM338m. Page 18

CHRISTIAN DIOR: The FFr787m ($142m) flotation of the Paris fashion house attracted 3.23m applications for the 1.3m shares on sale to the French public. Dior's international placing was also oversubscribed. Page 18

FORD, US carmaker, is to reorganise top management at Jaguar, its loss-making UK subsidiary. Nick Scheele, president and managing director of Ford of Mexico, becomes vice chairman from January 1. Bill Hayden, chairman and chief executive, is expected to retire in the spring next year. Page 17

HANSON, Anglo-US conglomerate, reported a 3 per cent increase in pre-tax profits to £1.31bn ($2.3bn) from £1.28bn on sales of £7.7bn from £7.2bn in the year to September 30. Page 17; Lex, Page 16

EUROPEAN car makers' efforts to freeze out intermediary companies offering cars at lower prices across Community borders were set back by a ruling from EC competition commissioner Sir Leon Brittan. Page 16

COSTAIN, UK construction, property and mining group, sold its British investment property portfolio for £101.3m ($179.2m) to reduce borrowings. Page 21; Lex, Page 16

AVON RUBBER, UK-owned tyre company which also manufactures industrial polymers, announced a drop in pre-tax profits from £10.6m ($18.8m) to £965,000, due to the cost of a reorganisation announced in October. Page 22

BASS, UK brewer, exceeded market expectations with a decline in full year pre-tax profits of 5 per cent to £508m ($899m). Page 22; Lex, Page 16

The Maastricht summit: Will it change the face of Europe? What does it mean for you? Get your special, two-page guide in this Saturday's FT.

COUNTDOWN TO MAASTRICHT

Banks surprised as commercial loan principal payments dry up

Soviets halt debt repayments

By Leyla Boulton and John Lloyd in Moscow, Peter Norman in London, David Waller in Frankfurt and Alice Rawsthorn in Paris

THE BANK which services the Soviet foreign debt is suspending principal payments to commercial banks on medium and long-term loans with effect from today.

Vnesheconombank said yesterday that the move was part of last month's debt relief agreement with the Group of Seven leading industrial countries which deferred principal payments on official debts and stipulated that the Soviet Union would seek "comparable treatment" on commercial bank debt.

In a telex sent to all creditor banks, Vnesheconombank said it was requesting a deferral of principal payments on debts contracted before January 1991 because "the Soviet Union and its successors are presently facing a very critical situation in the economic and financial field".

The bank said it would keep up interest payments on all loans and honour obligations related to letters of credit, foreign exchange and gold contracts. It invited banks to begin talks on rescheduling principal payments with a steering committee headed by Deutsche Bank.

The announcement followed a meeting in Vienna on Tuesday at which Vnesheconombank told major creditors that it would be unable to continue repaying principal on the estimated $84bn of Soviet foreign debts. The perception that yesterday's news would hit German banks in particular boosted the dollar by 1 pfennig against the D-Mark and depressed Deutsche Bank shares in after-hours dealing in Frankfurt.

Although some commercial bankers expressed surprise at being presented with an apparent fait accompli, senior G7 officials said they had expected such action some 10 days earlier following the debt relief agreement. They were disturbed to find that Vnesheconombank had been repaying principal on long- and medium-term official debt until late last week, instead of taking advantage of last month's pact.

The G7 agreed the debt deferral pact to help Russia and other republics import food, medicines and other basic commodities to survive a winter of harsh economic reforms.

Yesterday's announcement by Vnesheconombank came as the republics of the former Soviet Union met for a second day of talks on dividing up Soviet assets and responsibility for the foreign debt.

The inter-republican economic committee said republican leaders were expected to finalise an agreement allocating assets and responsibility for the foreign debt today.

Eight out of 12 Soviet republics agreed last month to service "jointly and severally" the $84bn foreign debt in return for the G7's debt relief package. But they still must come up with an effective mechanism to provide Vnesheconombank with the hard currency to do its job as debt manager.

Vnesheconombank has also experienced difficulty in servicing the Soviet Union's foreign debt because repayment obligations are particularly heavy this year and next.

Without the debt deferral agreement, its total debt obligations (including principal and interest for both commercial and official debts) for the last two months of this year alone would have been $4.5bn followed by $16.5bn for the whole of 1992, and $18.5bn in 1993.

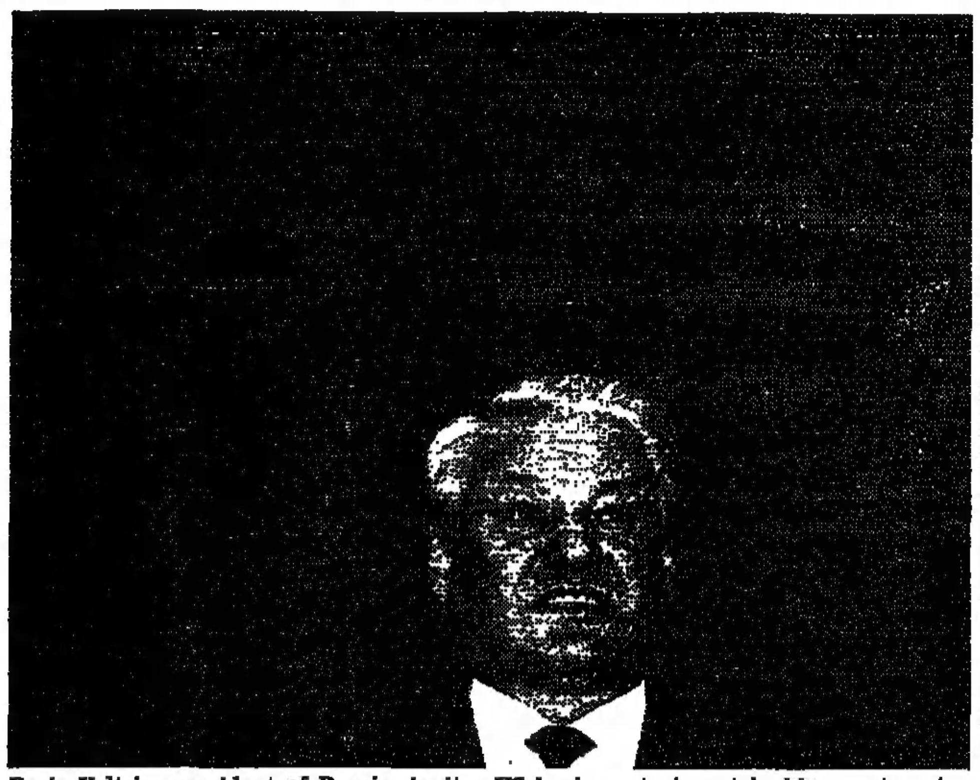
Although financial markets reacted adversely yesterday, German bankers have been keen to play down the impact of Soviet debt deferral.

The German banking sector as a whole is thought to be owed DM35bn ($56bn) by the Soviet Union, but the direct uninsured exposure of the commercial banks, at about DM6bn-DM10bn, is much smaller. Most of this has been fully provided for by the banks.

Deutsche Bank's exposure is thought to be DM5bn of which all but DM1bn has been provided for. Dresdner Bank is thought to have around DM1bn of uninsured exposure, and Commerzbank, – alone of the bigger banks in not having provided against its uninsured Soviet exposure – DM900m.

French banks were among the most active lenders to the Soviet Union in the mid to late 1980s, but have adopted a much more cautious approach in recent years. The total exposure of all French banks is believed to have fallen to FFr20bn ($3.6bn) from FFr54bn at the end of 1989.

Lex, Page 16



Boris Yeltsin, president of Russia, invites US business to invest in his country at a Soviet-US trade symposium in the Kremlin yesterday

Fraud probe of Maxwell pension funds

By Robert Peston and Richard Gourlay in London

BRITAIN'S Serious Fraud Office has launched an investigation into how the Mirror Group Newspapers and Maxwell Communication Corporation pension schemes incurred potential losses of £400m ($710m) on loans to private companies controlled by the family of Mr Robert Maxwell.

Bankers have been told by accountants Coopers Deloitte that, in the six months before he died, Mr Maxwell stripped £600m in cash from his public companies – MCC and MGN – and their pension funds to prop up his private empire.

The bankers were bracing themselves yesterday for Maxwell private companies to be placed into administrative receivership under UK insolvency laws. Such a move could wipe out all of the Maxwell family's private fortune, estimated as recently as this spring by Forbes magazine as more than $1.8bn.

Coopers has told the banks that the pension funds have for some time been lending shares to the private companies. Until recently, Maxwell private companies provided collateral to the pension funds. The value of this collateral was typically between 125 per cent and 150 per cent of the value of the shares borrowed. But in the six months before he died on November 5, Mr Maxwell started to sell this collateral.

"He should have given the cash to the pension funds", a banker said. But the cash appears to have been used for other purposes, leaving the pension funds exposed.

Although the pension funds are owed £400m, they need an injection of just £150m to meet their obligations to pensioners or to become fully funded in an actuarial sense. The biggest scheme, the MGN scheme, needs £110m. Before the stock lending, there was a substantial surplus in the funds.

Mr Ian Maxwell, Mr Maxwell's son who resigned on Tuesday from the chair of MGN, yesterday quit the board of Bishopsgate Investment Management, along with the rest of its board. BIM is both trustee and manager of a large proportion of MGN's pension fund. Other directors included Mr Robert Maxwell and Mr Kevin Maxwell, another son.

Britain's opposition Labour Party and MGN pensioners yesterday called for reforms to ensure that trustees and managers of pension schemes are independent of the companies operating the schemes.

An administrative receiver will be appointed to the private companies if the Maxwell brothers become persuaded that their attempts to raise £300m from an outside investor have failed. The effective deadline is tomorrow morning, when bankers to the private companies, led by National Westminster, are due to meet. An informal agreement between the banks not to call

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Sharp downward revision in US economic growth

By Michael Prowse in Washington

PRESSURE ON the White House to find ways of stimulating the US economy before next year's presidential election increased yesterday after a sharp downward revision of economic growth in the third quarter.

Mr Marlin Fitzwater, the White House spokesman, admitted that the US economy had "real problems".

The Commerce Department said gross domestic product grew at an annual rate of only 1.7 per cent in the third quarter. Growth had previously been estimated at 2.4 per cent.

President George Bush, speaking in Washington, said he would unveil economic measures in his State of the Union address next month but, in an apparent effort to deflate expectations of tax cuts, he emphasised the need for continued fiscal restraint.

Mr Bush's popularity has been falling fast as voters have become increasingly preoccupied with the domestic economy. He has been travelling the country in an attempt to show that he shares these concerns.

The downward revision took financial markets by surprise, prompting speculation that interest rates might be lowered again if Friday's employment figures are poor.

As recently as Tuesday, Mr Michael Boskin, the chief White House economist, had indicated he expected an upward revision of growth.

Analysts noted that final sales of domestic product fell at an annual rate of 0.9 per cent in the third quarter, increasing the risk of a decline in total output in coming months.

The Federal Reserve's latest Beige Book assessment of regional economic trends, released yesterday, was also gloomy, referring to the "flagging momentum" of recovery in October and early November. Retail sales were generally sluggish while manufacturing output had levelled out in most areas.

The downward revision to growth occurred as part of one of the biggest statistical shake-ups of recent years. Belatedly moving into line with international practice, the Commerce Department has adopted gross domestic product (GDP) as its main measure of production.

Figures for gross national product (GNP) – the favoured measure for half a century – will have a subsidiary role and be published with a longer delay than the GDP numbers.

The department also switched its base year for measuring price changes from 1982 to 1987, altering the profile of the recession and reducing estimates for growth in the 1980s.

GDP measures production within the borders of the US. GNP measures the income accruing to US residents. It thus includes the overseas profits of US companies but excludes the US profits of foreign companies.

US moves goalposts, Page 6

Pan Am gives up fight for survival

By Nikki Tait in New York

PAN AM, a once-proud flagship for the US airline industry but beset by heavy losses and an acute cash shortage recently, ceased operations yesterday.

The bankrupt airline's 10,000 remaining employees were told immediately that their services were no longer required, and Pan Am's 57 remaining aircraft, many of which are leased, were being marshalled in Miami and New York.

Pan Am is the third US airline to stop flying this year – after Eastern Airlines, in January, and Midway Airlines, a regional carrier, last month.

Pan Am, which has sold many of its prize assets in the past decade, confirmed that it was discussing the possible disposal of its Latin American/Caribbean routes, its last substantial operating network.

It declined to be drawn on prospective purchasers, although analysts have suggested that United Airlines, the large Chicago-based carrier, would be an obvious buyer.

United made an offer last summer for these routes, which have traditionally been profitable. The Chicago-based airline declined to comment but said a statement might be forthcoming later.

Pan Am's demise had looked increasingly likely after Delta Air Lines, another of the large US carriers, refused to supply any further loan finance this week. Delta became critically involved in Pan Am's future last summer, after the two airlines negotiated a three-part deal.

Under this, Delta was to buy Pan Am's East Coast shuttle and remaining transatlantic routes, transactions which duly took place during the autumn.

It also agreed to acquire a 45 per cent stake in a "reorganised" Pan Am, which would run the Latin American service from a Miami hub, and meet certain Pan Am liabilities.

As Pan Am's financial condition worsened, Delta renegotiated elements of this deal, replacing a commitment to fund $100m of Pan Am's losses by the provision of up to $140m of temporary loan finance.

By the end of last week, Delta had provided $115m, but decided against any further

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Formidable task ahead tempers Hurd's hopes for summit deal

'I don't think anyone will want it to fail. But it will still be a formidable task,' says Britain's foreign secretary, Douglas Hurd (left), of next week's Maastricht summit

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MARKETS

STERLING
New York lunchtime: $1.7745
London:
$1.7735 (1.7715)
DM2.8625 (2.8575)
FFr9.79 (9.765)
SFr2.535 (2.5275)
Y229.75 (229.25)
£ Index 90.5 (same)

GOLD
New York Comex Feb $367.9 (366.5)
London: $363.75 (367.95)

N SEA OIL (Argus)
Brent 15-day Jan $19.375 (19.425)

Chief price changes yesterday: Page 17

DOLLAR
New York lunchtime:
DM1.61
FFr5.5112
SFr1.4248
Y129.45
London:
DM1.614 (1.6135)
FFr5.52 (5.5125)
SFr1.429 (1.4275)
Y129.5 (129.45)
$ Index 63.2 (63.1)
Tokyo close: Y129.25

US lunchtime rates
Fed Funds: 4⅝%
3-mo Treasury Bills: 4.409%
Long Bond: 101⅛
yield: 7.879%

STOCK INDICES
FT-SE 100: 2,423.6 (+3.6)
FT-A All-Share: 1,166.58 (same)
FT-SE Eurotrack 100: 1,058.20 (+1.95)
New York lunchtime:
DJ Ind. Av. 2,915.03 (−14.53)
S&P Comp 379.06 (−1.90)
Tokyo: Nikkei 22,689.44 (+502.61)

LONDON MONEY
3-month Interbank: 10$\frac{11}{16}$% (same)
Little long gilt future: Dec 94$\frac{13}{32}$ (94$\frac{5}{32}$)

Brussels urges tough curbs on US aircraft aid

By Andrew Hill in Brussels

THE European Commission wants greater limits on US subsidies to its civil aircraft industry included in future international trade agreements following publication of a report alleging substantial government aid to US companies.

The Commission said yesterday it would use its report on US subsidies to press for the inclusion of "substantive disciplines on indirect support" to the industry.

The report alleges that over the last 15 years the US commercial aircraft manufacturers – principally Boeing and McDonnell Douglas – have received direct and indirect government aid of up to \$41.5bn (£23.4bn), including cumulative interest.

Mr Mogens Peter Carl, a senior Commission trade official, said yesterday: "Never in our wildest imagination would we have expected the level of support to be as massive as this." He said the Commission might now ask the US to match EC proposals of a 35 to 50 per cent cut in direct support to the European industry.

The Americans allege the European Airbus consortium has received more than \$25bn of direct government subsidies since being set up 20 years ago. They also claim, like the Europeans, that the aircraft industry received extensive support via research and development grants.

The report was prepared by the Washington legal firm of Arnold & Porter, which has acted in the past as a lobbyist for Airbus. Mr Carl stressed, however, that the US firm had been chosen specifically to "avoid the accusation of a cultural bias on our behalf".

A US consultancy, Arthur D Little, is preparing a separate report for the Commission's industry directorate on the competitiveness of the European aircraft industry.

Mr Carl said the two reports were not directly linked and he denied that the second report would reveal that European manufacturers had also received large indirect subsidies. He said indirect support for the EC aircraft industry was "minuscule".

The US has filed two complaints against the European aircraft programme with the General Agreement on Tariffs and Trade (Gatt). It objects to German government exchange rate support for Deutsche Aerospace, the German Airbus partner, and to Airbus subsidies.

The EC wants the US to resume formal negotiations over Airbus under the first stage of the Gatt dispute settlements procedure, without moving to a full Gatt panel hearing. Mr Carl said yesterday: "[This report] is intended to provide the Commission, Community and member states with a solid basis for the purposes of better evaluating and establishing our negotiating position. It's not a weapon as such, but it is very useful."

The US initiative to take the Airbus subsidies issue to the Gatt reflects growing concern by US aircraft manufacturers of the growing inroads of the European consortium in the world airline market.

No horse-trading over 'federal' says UK premier

MR JOHN MAJOR refused yesterday to bow to Dutch demands that Britain should make concessions in return for the dropping of references to "a federal goal" from the draft treaty on economic and political union to be discussed at Maastricht, writes Ralph Atkins in Dublin.

Speaking after a meeting in Dublin with Mr Charles Haughey, the Irish Taoiseach, the British prime minister said he would oppose "horse-trading of that rather blunt kind". He insisted, however, that changes would still have to be made to the draft treaties if he was to sign them next week, saying: "There will need to be movement from the situation as it has been over the last few days."

The prime minister appeared convinced that an agreement could be struck next week but was determined not to weaken Britain's negotiating position with only days to go before the Maastricht summit begins. "I have made it clear from the beginning of the negotiations that I want an agreement on Europe but I can't have any agreement," he said.

Downing Street officials said the word "federal" was ambiguous and had to be dropped. It did not mean Britain would have "a price to be paid" as claimed on Tuesday by Mr Hans van den Broek, the Dutch foreign minister.

Mr Major's talks with Mr Haughey appear aimed at forging alliances with the Irish on key parts of the Maastricht negotiations. Both countries oppose significant extension of European Community responsibility on social issues and, for different reasons, have qualms about proposals on common defence and foreign policies. Both also oppose a significant extension of the powers of the European Parliament – Ireland because of its small representation and Britain because of fears about sovereignty.

Mr Major and Mr Haughey disagreed, however, about the commitment to increase EC structural funds which Ireland wants written into a declaration accompanying the treaties and has set as its top priority at Maastricht. Mr Haughey said Ireland would be looking for "formal guarantees" on greater economic and social cohesion going beyond existing references in the treaties. Mr Major said he was prepared to study possible increases but "we need to examine what it needs, how it would work, what can be done."

● Employers in the west Midlands, heart of Britain's engineering industry, yesterday sought to harden the UK government's resistance to the EC's proposed working time directive in the wake of Tuesday's meeting of EC social affairs ministers, writes Paul Cheeseright in Birmingham.

The directive, which would limit the working week to 48 hours and specify Sunday as a day of rest, "would defeat our objectives to improve competitiveness", said Mr Cedric Thomas, chief executive of the Engineering Employers' West Midlands Association. Employers fear the directive will increase costs and reduce output. Other EC countries had different working patterns and would be less affected, he said.

Hurd treads a quiet but confident path to summit

The UK foreign secretary talks to Philip Stephens and Robert Mauthner about the prospects for agreement at Maastricht

MR DOUGLAS HURD is not given to hyperbole. As much a diplomat as a politician, the British foreign secretary shuns the colourful, often angry, rhetoric which has characterised the European debate among many Conservative party colleagues.

So, just four days from Maastricht, he was typically understated in his assessment of the prospects and perils that the summit holds for a government facing a general election within seven months at most.

For obvious tactical reasons Mr Hurd insists that Britain will, if necessary, veto an unacceptable accord at the summit. He makes the point with conviction. It is Mr John Major's only negotiating ace.

But the pervasive tone in an interview with the FT yesterday afternoon conveyed the message that Mr Hurd thinks an agreement is within striking distance. Such an outcome, he agrees, would be far preferable for the country and government to the breakdown sought by a few in his party.

After another gruelling negotiating session in Brussels earlier this week he is convinced that his counterparts share that interest.

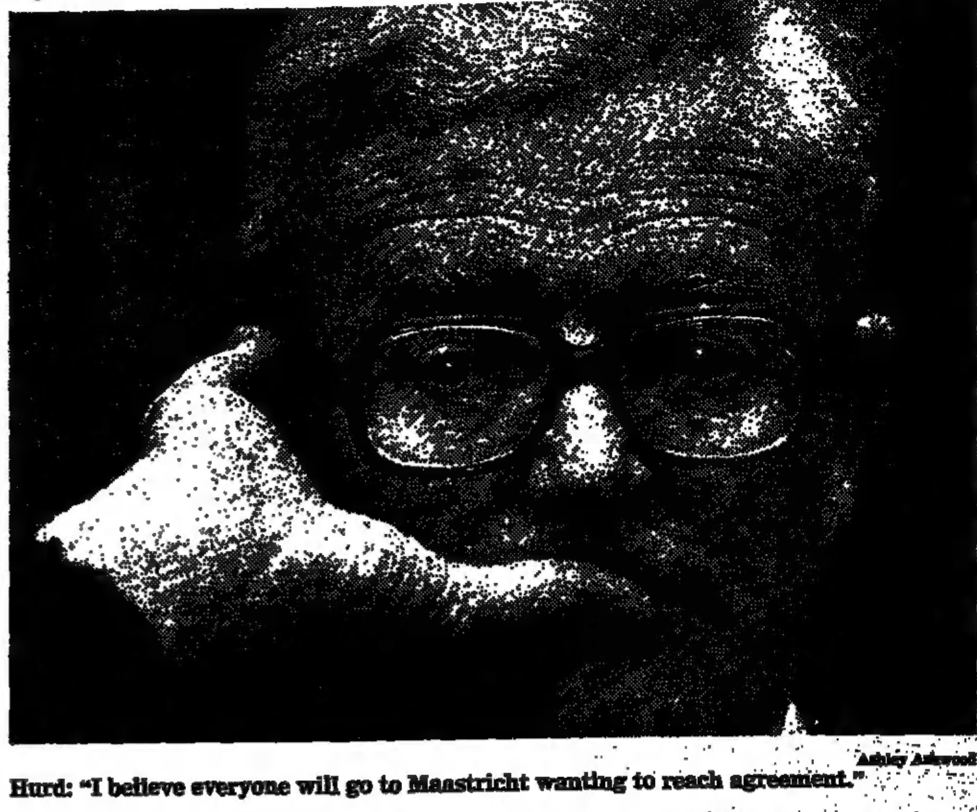
There had been no breakthough on the six, seven, or eight large issues that heads of government would have to tackle, but: "I don't think there is anyone there who has a sort of private thought that it would be a good idea if the conference failed".

The challenge was to translate that goodwill into a resolution acceptable to 12 governments of the still significant differences which remained on foreign policy, defence, the social dimension, the powers of the European parliament, industrial strategy and the single currency.

"The actual task of moving from that generalised wish to succeed to actual agreement on the important outstanding issues, well, that is still formidable," is how Mr Hurd puts it. He will not quote odds on the outcome but, if one had to guess, it would be that he believes they are perhaps 70:30 in favour of success.

The foreign secretary is reluctant to detail too explicitly the two or three among the outstanding issues which he regards as the most intractable. "They all have to be solved. That's the truth of the matter. And they all have to be solved, so far as we are concerned, within the terms of the prime minister's speech (last month) to the House of Commons".

Mr Major's colleagues know where the lines are drawn. "I've been very struck over the past few days by the importance of this speech in the minds of those with whom we are negotiating".



Ashley Ashwood

Hurd: "I believe everyone will go to Maastricht wanting to reach agreement."

But it is obvious also that in some areas (defence and foreign policy are among them) he is more confident than in others – social policy is the most notable – that a way can be found to reconcile Britain's reserve with its partners' aspirations.

He blinks at the media excitement that followed the signal in Brussels that Britain's partners are prepared to see references to a "federal" destination removed from the political union treaty.

The word must be deleted, he agrees. Yet in a phrase which would be heresy to some of the Eurosceptics in the Conservative party, he comments: "That's just one and not the most important point that needs to be settled".

One of the most important sticking points in the negotiations has centred on the way that the Twelve should operate a common foreign policy.

"We've moved in the sense we accept joint action in foreign policy with the obligation that imposes," he says. But the counterpart must be unanimity. Britain does not believe that qualified majority voting on the implementation of policy would work. And it wants a more robust "safeguard" clause to allow a nation to act independently if circumstances changed.

On defence Britain had made a "fairly substantial move" by agreeing to the concept of a common policy. "But we have married it up with a solemn taking of vows to the Atlantic alliance and what we don't wish to see is a divorce".

"That seems to us," Mr Hurd adds, "a very dangerous slope and we don't intend to slide down it." But then the guarded optimism: "I think we will reach agreement on that but I can't be certain."

There are other difficult issues: "The industry clause is still very interventionist. We don't actually see the need for an industry clause." In other areas proposals to extend competence could turn out to be "very expensive" – R&D was one example. Britain though is ready to negotiate.

There is flexibility also over the nature of the opt-out clause from a single currency that Britain has demanded as its price for economic and monetary union. The issue, he says, will go to Maastricht. But then: "It would be better to have a general opt-out" is as tough as the foreign secretary gets.

It is when he is pressed on the extension of Community competence into social policy – employment rights, worker participation, trades unions – that the foreign secretary sounds uncharacteristically glum.

He will not be drawn on whether there is any light between the ambitions of most others to place a joint social policy at the heart of economic union and his government's determination to prevent Brussels from overturning the Thatcher revolution.

It is an area where Britain already had strong grievances about the behaviour of the Commission; it had not been much discussed by foreign ministers this week. There were talks going on now, but Mr Hurd did not want to speculate on the outcome. "We have left no-one in any doubt that this is very important and very difficult."

So what are the consequences of success and failure. The understatement again and a hint perhaps of wishful thinking in his final phrase: "It's better and in the interests of the country to get an agreement. I've no doubt about that. And we'll work hard to get one if we can. But supposing that's not attainable. It will not be attained because we've been asked to do too much. . . . either way we will be in a strong domestic position."

Commission foresees modest recovery over next two years

By David Gardner in Brussels

THE European economy can look forward to only a modest recovery over the next two years, the European Commission said yesterday. But completion of the single market next year, a commitment next week at the Maastricht summit to economic and monetary union (Emu), and a Uruguay Round trade deal could combine to speed up growth in 1992-93.

In its annual economic report, Brussels sees EC gross domestic product rising only 2.2 per cent next year and 2.4 per cent in 1993; the Twelve's gross domestic product is forecast to increase this year by 1.3 per cent against 2.8 per cent last year. One of the main brakes on recovery is a forecast fall in investment and consumption in Germany as the growth impulse from unification peters out.

Unemployment would continue to rise until the EC returned to the growth rates of 3 per cent or more in 1986-90, said Mr Henning Christophersen, commission vice-president. THe EC total is expected to rise from 8.6 per cent of the workforce now to 9.2 per cent in 1993; the equivalent figures for the UK project an increase from 8.4 to 10 per cent, and for Germany (without the new eastern Länder) from 4.6 to 5.6 per cent.

These prospects assume no change in current policies, but could improve, Mr Christopherson stressed, even from next week if the summit was a success. He suggested, for example, that long-term interest rates could start coming down once the markets saw Emu as an irreversible commitment.

After three and a half days intensive negotiation, finance ministers tentatively agreed on the Emu treaty in the early hours of yesterday morning. Left to be decided at Maastricht are the procedure for moving to a single currency, and "opt-out" clauses sought by Britain and Denmark.

If the agreement were confirmed next week, Mr Christopherson said, this "would make clear that many states would have to step up their convergence efforts" to reach the tight targets on budget deficits, inflation and interest rates required for Emu membership.

Industrial states set conditions for aid

By William Dawkins in Paris

DEVELOPING countries were yesterday told to curb arms spending and improve human rights if they wanted increased aid from the big industrialised nations.

This is the first time that the recently enlarged 21-nation Development Aid Committee (DAC) of western donors has formally laid down conditions of this kind. They were decided at the DAC's annual meeting, which ended in Paris yesterday, and follows similar moves by the International Monetary Fund and the World Bank.

"The amounts some of these countries are spending on armaments is two to three times what they are receiving in terms of development assistance," said Mr Alexander Love, DAC chairman, who cited Angola and Mozambique as examples. He stressed that the idea was to give preference to states able to curb military budgets, rather than to trim aid for those who continue high arms spending.

Only last week, World Bank members delayed for six months any new assistance for Kenya, pending progress on economic and political reforms. At the start of this week, President Daniel arap Moi said one-party rule would end in Kenya, though he denied he was responding to outside pressure.

The session also expressed concern about the slow growth in the volume of aid, from \$46.7bn from all its members in 1989 to \$54.07bn last year.

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Bundesbank move points to interest rate rise

By Andrew Fisher in Frankfurt and Christopher Parkes in Bonn

SPECULATION increased yesterday about a rise in German interest rates later this month, with the Lombard rate possibly moving up by a quarter of a percentage point. It was prompted by the Bundesbank's action to drain funds from the money market at its regular money market operations.

Economists believe, however, that the Bundesbank council is unlikely to act at its meeting today because of the European summit on political and monetary union in Maastricht next week.

Rates have remained unchanged since mid-August, when the Bundesbank raised the discount rate by a point to 7.5 per cent and the more important Lombard emergency funding rate by a quarter point to 9.25 per cent.

The main item on the agenda at today's meeting is the money supply target for 1992. But the news that Mr Helmut Schlesinger, the Bundesbank president, would be in Bonn today to discuss with Chancellor Helmut Kohl the German position ahead of the summit raised doubts whether the target would be announced today or on December 19.

Economists expect the target for M3, the broad monetary aggregate, to be raised to a range of between 4 and 6 per cent from this year's 3-5 per cent. This allows for expected inflation and production growth.

Those forecasting an interest rate rise pointed to the high German inflation rate, around 4 per cent, and signs that wage claims would remain high.

Ms Jane Edwards, an economist with Shearson Lehman Brothers, said: "I think the Bundesbank will raise interest rates, but on December 19 rather than now." Rates at yesterday's securities and repurchase (repo) operation were up to 9.25 per cent, thus equalling the Lombard rate.

Meanwhile the Economic Ministry reported that industrial production in west Germany in October was 1 per cent lower than in September. Almost all the decline was attributable to a seasonally-adjusted 1.5 per cent dip in output from manufacturing industry, which more than wiped out the benefits of a 5.5 per cent rise in mining production and increases of 2 per cent and 2.5 per cent in construction and gas and electricity supply.

Aggregate figures for September and October, compared with the same months in 1990, showed a 0.5 per cent rise in overall production. Output from capital goods-makers rose 0.5 per cent and construction 2.9 per cent, while mining production fell 5 per cent.

Third quarter figures for west Germany's gross national product today are expected to show no change from the second quarter and a rise of only 2.4 per cent on a year-on-year basis, against strong annual rises of 4.3 per cent in the second quarter and 5.2 per cent in the first.

In Hamburg, the semi-official economics institute HWWA painted an optimistic picture of German trade in the new year. After the stagnation of recent months, exports are forecast to increase by 5 per cent in 1992 as client economies recover from recession.

This would offer some relief from the stagnation expected in demand in west Germany and the slackening of sales to the east of the country.

Slowing activity would reduce the rate of increase in imports into the west from 14 per cent this year to about 6 per cent in 1992.

Net result, the institute said, would be an increase to about DM10bn in the balance of trade surplus and a reduction to around DM30bn in the current account deficit.

Mr Stipe Mesic (left), the former Yugoslav federal president, and Mr Franjo Gregoric, Croatia's prime minister, met in the republic's parliament yesterday during a debate on a bill granting political rights to Croatia's ethnic minorities. The bill seeks to reassure the 600,000 Serb community it will not suffer discrimination in an independent Croatia.

Yugoslavia buys back its debt at a discount

By Judy Dempsey in London, Christopher Parkes in Bonn and Laura Silber in Belgrade

DESPITE the high cost of the civil war in Croatia, Yugoslavia's central bank last week paid $65m interest to the London Club of commercial banks on time. Moreover, the National Bank of Yugoslavia (NYB) is negotiating to buy back its $4.52bn debt at a considerable discount, according to western bankers.

This emerged yesterday as Germany decided to cut transport links with Serbia on the eve of a visit by Croatia's President Franjo Tudjman to Bonn.

London banks said yesterday the NBY was buying back debt at a discount of between 22 cents and 32 cents to the dollar.

One banker said: "The central bank is now working on the basis that western commercial banks will accept these discounts simply in order to get paid some of its debts which Yugoslavia owes to them. Western banks believe the war will continue. In any case, they are not prepared to extend any new credit lines."

The moves by the central bank to buy back debt reflect the NBY's relatively high reserves of about $3.5bn, even though this represents a sharp fall from $8bn earlier this year.

However, western bankers yesterday expressed some scepticism about the genuine level of the banks' reserves.

"It is difficult to believe that they can be so high, given the cost of the war in Croatia, and purchases of oil by Serbia, which has been affected by the war," the banker added.

The NBY also owes the Paris Club of government creditors $5.5bn, and other multilateral organisations, including the International Monetary Fund, a total of $3.2bn.

Figures recently released by the NBY show that Yugoslavia, or what remains of it, has a current accounts deficit of $2.1bn. Exports have fallen by 10.7 per cent, imports by 13.9 per cent, and industrial production by 20 per cent. Workers remittances, particularly from the *Gastarbeiter* in Germany have fallen from $1.7bn to under $700m.

Meanwhile, Germany yesterday decided to close its air and road links with Serbia. The cabinet agreed to suspend its transport convention with Yugoslavia, but to introduce "special measures" to protect connections with Croatia and Slovenia.

Following a promise of financial aid and diplomatic recognition by Chancellor Helmut Kohl to President Milan Kucan of Slovenia in Bonn on Tuesday, the decision marks a further step in Germany's attempts to provide concrete assistance and further moral support to the breakaway republics. President Tudjman of Croatia, who is due in Germany today, is expected to be given similar pledges.

The decision means that JAT, the Yugoslav state airline would lose its landing rights in Germany. Mr Dieter Vogel, the Bonn government spokesman did not rule out the possibility of Lufthansa being barred from airports in Serbia. The origins of road goods vehicles would be checked at the border.

In Yugoslavia, Mr Cyrus Vance, the UN special envoy, yesterday discussed the deployment of peacekeeping troops with Mr Tudjman, and General Veljko Kadijevic, the federal defence minister.

The meetings coincided with a debate in the Croatian parliament about granting ethnic, political and cultural rights to its ethnic minorities.

The move by Croatia's parliament to guarantee broad cultural autonomy for ethnic minorities would give Serbs in Croatia control over the police, courts and government in areas where they form a majority, but it is unlikely to end the violence.

Slovakia's economic reformer faces sack

By Ariane Genillard in Bratislava

ATTEMPTS to introduce radical economic reforms in Slovakia are likely to be seriously undermined today when deputies are expected to oust the republic's reform-minded privatisation minister in a vote of no-confidence.

The motion in the Slovak parliament will bring to a climax repeated efforts by Slovak politicians to marginalise supporters of the fast-track economic programme drawn up by the federal bodies, and which has been already implemented in the Czech republic.

Mr Ivan Miklos, the minister responsible for the privatisation process in Slovakia, is a noted supporter of federal economic policies. He is also a member of Public Against Violence (recently renamed Civic Democratic Union), the only party in Slovakia which is openly in favour of keeping Czechs and Slovaks together in a single state.

Mr Vaclav Havel, the president of the Czech and Slovak republic is attempting to drum up support aimed at finding a compromise between the two republics so as to keep the federation intact.

If Mr Miklos is removed from power, it will mean a victory, not only for those who want to slow down the economic reforms in the republic, but for nationalists who are calling for greater political and economic autonomy for Slovakia.

"It is no secret that there are some conservative forces in Slovakia who would much rather keep the power in their own hands," Mr Miklos said.

Mr Miklos has repeatedly warned that his growing political isolation in Slovakia is threatening his ability to implement the privatisation programme which entails the painful restructuring needed to reform bankrupt Slovak enterprises.

Moreover, government officials in Bratislava, the capital of Slovakia, who are overseeing Slovakia's state-owned industries, have resented the young minister's effort to introduce reforms.

For instance, deputies from the Christian Democrats, the other party in the government coalition, recently attempted to seize power from Mr Miklos, and pass it back to the bureaucrats and former apparatchiks in the ministries.

Strikers resist sale of Greek companies

By Kerin Hope in Athens

THERE WERE power cuts in parts of Athens yesterday as Greek electricity and telecommunications workers started a 48-hour strike in protest against a parliamentary bill permitting the partial sale of public utilities.

Staff at Olympic Airways, the state airline, and commercial banks will strike today; civil servants and industrial workers plan walk-outs next week.

The bill, which parliament is expected to approve this week, aims at speeding a slow-moving privatisation programme launched by the conservative government 18 months ago. Only 10 out of 208 companies in the programme have been sold, and the government has raised only Dr2.3bn (£7m) from privatisation, though the budget forecast revenues of Dr120bn this year.

The new legislation would allow up to 49 per cent of the electricity and telephone companies and Olympic Airways to be sold. It would also clear the way for foreign companies to sign management contracts to run state-controlled Greek corporations. Procedures for liquidating state enterprises would be streamlined, too.

Delays in shutting loss-making companies which failed to find buyers are attributed to reluctance among government-appointed managers to put themselves out of a job.

About 10,000 workers have lost jobs at state-owned enterprises because of cuts or closures under the privatisation scheme. Another 15,000 are likely to be dismissed over the next few months.

The bill also includes a clause intended to deter about 30 former owners of unprofitable companies nationalised in the 1980s from claiming them back – by making them liable for the companies' accumulated debt.

After the European Court ruled earlier this year that one such takeover was illegal, a dozen former owners have filed suits to regain control of their companies.

Democrats quit Tirana coalition

Albania's Democratic Party, the main anti-communist force, said yesterday it was pulling out of a six-month-old coalition with its political foes, accusing them of hindering reforms, AP reports from Tirana.

The move is likely to lead to early elections.

INTERNATIONAL NEWS

Lockerbie threat yields Libyan offer on IRA

By Tony Walker in Cairo

COLONEL Muammar Gadaffi of Libya has offered to close down Irish Republican Army training camps in his country and provide intelligence information about IRA terrorists as part of an effort to forestall western retribution for the terrorist bombing of a Pan Am jet in 1988.

Col Gadaffi's extraordinary offer was repeated yesterday to Mr Douglas Hogg, a British Foreign Office minister, by Egypt's President Hosni Mubarak who is in regular contact with the Libyan leader.

"The message was that Colonel Gadaffi was willing to give us information about the IRA and willing to stop the training camps in Libya," Mr Hogg told reporters.

"I have no doubt that Col Gadaffi is a worried man," Mr Hogg added, "and these are statements he is making because he is a worried man."

Both Britain and the US are demanding that Libya allow two of its citizens to be extradited to face trial for the bombing of Pan Am flight 103 which exploded over Lockerbie in Scotland with the loss of 270 lives, including 11 on the ground.

Mr Hogg, while acknowledging it was a "useful first step", made it clear that Libyan undertakings on the IRA would be insufficient to prevent actions planned by western governments against Libya if it refuses to comply with demands that it hand over Abdel Baset Ali and Al-Amin Khalifa Fhimah for trial.

Britain and the US have alleged the two men are employees of Libyan intelligence, and that Libya itself is responsible for state terrorism. Libya has refused to yield the two suspects, although a Egyptian newspaper reported yesterday that the two had been detained for questioning.

Mr Hogg said last night that Britain was demanding that Col Gadaffi comply with official requests to supply information about the IRA, publicly renounce terrorism, pay compensation to the victims of the Lockerbie bombing and surrender "all documents and material" relevant to the case.

Col Gadaffi, Mr Hogg said, appeared to be accepting some of Britain's demands, but this was not good enough.

"We believe that Col Gadaffi is still in the business of terrorism," he said.

The British minister noted that as recently as the middle of this year, the Libyan leader had re-stated his support for the objectives of the IRA.

Libyan support for the IRA goes back to the early 1970s, soon after Col Gadaffi came to power in a 1969 putsch.

The IRA is believed to have secured ample supplies of the lethal plastic explosive, Semtex, from Libya which had bought large quantities from Eastern Europe.

Chinese workmen installing lights on a Beijing billboard which claims that tourism will promote prosperity in the country. Next year has been designated the "Year of Tourism" by the Beijing communist leadership, attempting to shake off its hardline image

Indian car makers see sales fall

By K.K. Sharma in New Delhi

THREE Indian car manufacturers have complained to finance ministry officials about surplus capacity in their factories amid growing signs that the entire automobile industry is in the grip of a recession.

The three are Mr R.C. Bhargava of Maruti Udyog, which has 60 per cent of the Indian car market, Mr C.K. Birla of Hindustan Motors and Mr Vakil of Premier Motors.

They told the officials that they feared a 50 per cent drop in sales. At the same time, India's formerly thriving two-wheeler industry is also facing flagging sales. Bajaj Auto, India's largest scooter manufacturer, has been forced to cut production by 30 per cent because of growing inventories.

Truck manufacturers such as Telco and Ashok Leyland have also piled up inventories because of slack demand.

The car manufacturers are the worst affected and believe that production in 1991-92 will fall to only 130,000 cars compared with 178,000 cars in 1990-91 and 181,000 cars in 1989-90. If the present slackness in demand persists, they anticipate production to fall to a low 90,000 in 1991-92. This would be less than 40 per cent of their capacity.

Maruti Udyog, which had a waiting period of two to three months for its models, was yesterday forced to launch an advertising campaign for its vans. It has never had to advertise until now.

The fall in demand followed the July budget when the automobile industry was heavily taxed, forcing all companies to raise prices sunbstantially. This was accompanied by a rise in petrol prices which further subdued demand.

At the same time the credit squeeze hit financing schemes while government cuts in expenditure forced its departments to postpone purchases .

The automobile industry has laid off casual labour but does not rule out retrenchment if the situation lasts much longer.

How Mideast hostages lost value

Roger Matthews on why westerners used to be worth kidnapping

THE release yesterday of Mr Terry Anderson in Lebanon concludes a period of Middle East hostage-taking which was born out of the militant anti-western Shia extremism of the Iranian revolution in 1979 and then nurtured by the frustration of the regime at its failure to carry its message to the outside world.

The early days of the revolution following the overthrow of the Shah of Iran had highlighted the extraordinary international impact of taking hostages when the US embassy in Tehran was stormed, its personnel seized and the presidency of Jimmy Carter fatally undermined.

Not only had the Iranian revolution pushed the US out of Iran, the strategic key to securing Middle East oil supplies and to blocking the threat of Soviet expansionism, but it had also humiliated a president and cost him re-election.

It was a lesson ready for others to learn, most especially in Lebanon where there was already a long history of politically motivated hostage-taking. Before the outbreak of civil war in Lebanon and the two Israeli invasions of 1978 and 1982, the Shia majority was the poorest and least politically represented part of the community. But in its determination to smash the Palestinian military machine in Lebanon and rewrite the country's political structure, Israel stirred up a hornets' nest, the consequences of which it is still suffering.

The seizure of western hostages in Lebanon gave the radical Shia groups, which had grown up in the first half of the 1980s, a soapbox from which to address the world. Iran, like other countries before it, was able to use its supporters in Lebanon as a surrogate. Iran would admit influence, but deny control. The seizure of the first hostages in Beirut coincided with mounting political frustration in Tehran. The energy of the revolution had been sapped by the war with Iraq which began with the invasion launched by President Saddam Hussein in September 1980. After initial setbacks, Iran fought back successfully, but with Iraqi forces fighting from behind formidable defences the toll on the lightly armed Revolutionary Guards and young conscripts reached appalling levels.

Efforts to stir revolution elsewhere in the Middle East and overthrow the monarchies in the Gulf showed no greater signs of success. Only in southern Lebanon could Iran boast the makings of a second revolutionary Islamic republic. And only in southern Lebanon was the Shia revolution directly facing the Israeli enemy and – so the propaganda claimed – doing it more effectively than the Palestinians before them. The taking of hostages helped to publicise those claims by giving international prominence to groups such as Islamic Jihad which could never have been achieved solely within the Lebanese political context.

Syria, which claims Lebanon as an essential part of its political hinterland, had less direct influence than it would have wished. Its obsessive hatred of President Saddam Hussein meant that alone among the Arab world it backed Iran in the war with Iraq. And politically the Damascus regime had to allow its new ally access to its co-religionists in Lebanon.

Hostages thus served the purposes of several masters, from the previously politically mute Shia of southern Lebanon to the revolutionary leaders in Iran. However their full value had yet to be realised.

Covert US operations, with Colonel Oliver North at the centre of a web naively designed to establish links with moderates in Tehran, had the effect of promoting hostages to a more valued commodity which could be used by Iran to trade for desperately needed American weapons. It was into this morass that Mr Terry Waite, the Archbishop of Canterbury's envoy, unwittingly stumbled.

His freedom and that of the other hostages reflect the end of an extraordinary decade in Middle East politics. The threats which loomed largest in western minds 10 years ago have by no means disappeared, but their potency has been massively diminished. Iran and Iraq, the two most radical, militarily powerful and potentially affluent countries in the region have been greatly weakened. There is no oil price weapon and no threat to world supplies.

The collapse of the Soviet Union and the miscalculations of Saddam Hussein have allowed the US to exercise a greater authority over the region than the most hawkish Pentagon official could have dreamed of even five years ago.

The radicals have almost all run for cover. Col Muammar Gadaffi, the Libyan leader, may again be looking nervously skywards, President Hafez al-Assad of Syria has never been more accommodating to the wishes of the White House and western businessmen are again vying for contracts in Tehran. Those who ultimately bore most responsibility for the misery inflicted on the hostages and their families are now basking in the sharp increase in their approval rating among western governments.

The freed hostages are probably more aware than most of how much and just how little this reflects political change in the Middle East. They are again free because they have no more tactical value to governments, but the root causes which motivated their capture may not have changed one jot.

Hong Kong attacks final appeal court plans

By Angus Foster in Hong Kong

THE EARLY establishment of Hong Kong's proposed court of final appeal was cast into doubt yesterday when the colony's Legislative Council, or parliament, urged Britain and China to renegotiate the agreement on the composition of the court.

Most councillors attacked the agreement on the court, which is being set up to replace the Privy Council in London. Councillors said the court's structure, which allows for at most one of its five judges to be invited from overseas, would damage the court's independence and standards.

The vote is an embarrassment for Sir David Wilson, the governor, and his secretive policy body, the Executive Council. They approved the structure of the court early this year but apparently failed to consult local leaders and misread local opposition. Britain and China agreed the court's outline in September, following Mr John Major's visit to China.

Mr Martin Lee, an outspoken advocate for democracy, said: "Hong Kong's interests had been ignored. The British and Chinese governments are now making decisions on Hong Kong's internal matters without even consulting us."

But Sir David Ford, Hong Kong's chief secretary, said the court could not be renegotiated. The government will now draft legislation on its establishment to come before the Legislative Council next year. Councillors will have to choose whether to set up the court along unpopular lines or delay it until 1997, when China's influence will be even greater.

Arabs wait in vain for Israel

By Roger Matthews in Washington

THREE Arab delegations waited fruitlessly at the US State Department yesterday for Israel to attend the start of bilateral peace negotiations and then retaliated by warning they might not be available next Monday when Israel has promised to be present.

Israel refused to accept the US invitation to yesterday's meetings, saying it was angered by American attempts to dictate the pace and direction of talks and because it needed more time to prepare.

The groundwork for the Washington meetings was laid at the Middle East peace conference in Madrid in October when it was agreed substantive issues would be discussed in bilateral meetings between Israel and its Arab neighbours. Despite yesterday's manoeuvrings, US officials are confident direct negotiations will start next week.

The Syrian, Lebanese and joint Jordanian-Palestinian delegations spent less than 20 minutes in separate rooms at the State Department before being officially informed that Israel would not be present.

They later stressed their willingness to discuss peace and said they were very disappointed Israel had decided not to come. The Palestinians and Jordanians pointed out that next Monday, when Israel says it will begin negotiations, is the fourth anniversary of the Palestinian uprising.

Mrs Hanan Ashrawi, the Palestinian spokeswoman, said Monday was a "very serious day" for members of her delegation. She added: "You can draw your own conclusions about whether we will attend, but December 9 is not just an ordinary day for us."

Vietnam detainees to be freed

By Kathleen Callo of Reuter, reporting from Hanoi

VIETNAM has started to free the last of its Vietnam War detainees, apparently fulfilling a US condition for normalising ties with Washington,

According to Communist party sources, the last 100-odd prisoners held in so-called re-education camps had begun to be freed within the last month or so and all would be released within the next few months.

The victorious communists herded nearly 100,000 people with links to the vanquished US-backed government of South Vietnam into the camps at the end of the war in 1975.

Most were released in the 1980s but Washington has insisted all must be freed before it will normalise relations with Hanoi, which is hungry for foreign aid.

The US forbids all business links with Vietnam and is preventing significant international aid from reaching the country.

The sources said they did not know how many detainees had been freed.

Washington has said Hanoi must release remaining detainees and allow them to leave the country.

The London-based human rights group Amnesty International has quoted the Vietnamese government as saying that by May 1989 it was holding 128 South Vietnamese soldiers and officials.

S African Communists go against trend

The party's first legal congress is cause for soul searching, writes **Patti Waldmeir**

Outsider: ANC leader Nelson Mandela at a news conference in New York yesterday. He is on a week-long tour of the US

THE discredited symbols of Soviet communism – the red flag, the hammer and sickle – will today fly over a gathering in Johannesburg of one of the world's few expanding communist parties.

The South African Communist Party (SACP), which is to hold its first legal congress inside the country for more than four decades, is swimming against the tide of communism's worldwide decline. After agonising over the causes of the collapse of east European communism, SACP intellectuals had to conclude that the practice of socialism was flawed, not the theory.

Most South African blacks equate capitalism with apartheid and among the volatile populations of South Africa's black townships, and in the unions, socialism remains a potent ideology. The party – which suffers from a shortage of funds and staff, and poor organisation – has done little enough to exploit socialism's appeal. Yet over the past year, party membership has risen from nearly nothing to 25,000.

Even so, growth has been much slower than expected since the party was legalised in February last year. Many prominent members have allowed their membership to lapse, or left the SACP leadership to work full-time for its close ally, the African National Congress (ANC). The remaining leadership is divided between those who remain committed to Marxism-Leninism (or even Stalinism), and those who would move towards social democracy.

The collapse of east European parties has deprived the SACP of most of its funding and party recruitment has been slow. Party officials say this is deliberate: according to their plan, the SACP will first work for liberation through the ANC, and only later pursue socialism.

But it would be wrong to underestimate the power that socialists will wield in the new South Africa. Many SACP leaders believe the party should form a socialist front within the ANC – playing a role along the lines sought by the Militant Tendency in the UK Labour party.

The seeds of such a front are already present: of the top six officials in the ANC, none are active SACP members (though some are former members); but as many as a third of the ANC's chief policy-making body, the national executive committee, and the same percentage of the powerful national working committee, are believed to be communists.

Two of the ANC's most powerful leaders – Mr Joe Slovo and Mr Chris Hani – are SACP leaders.

The congress will debate the party's new moderate manifesto, which commits itself to communism but says candidly that "socialism is not immediately on the agenda"; supports multi-party democracy and basic liberal values; and promises that "non-exploitative private property" will be protected.

Indonesian official admits massacre

EAST Timor's governor said far more people were killed than the army claimed when Indonesian troops fired on mourners last month and most were shot down while praying, Reuter reports from Dili.

"The minimum figure now, if you take into account all the figures that have been mentioned and what I myself saw, I believe it is between 50 and 100 for sure," Mr Mario Viegas Carrascalao said yesterday.

Mr Carrascalao is the first Indonesian official publicly to refute the army version of events in the Santa Cruz cemetery on November 12. The army said 19 died when troops fired to defend themselves from a dangerous mob.

Other reports say the shooting was unprovoked and have put the death toll at up to 180. The deaths sparked an international outcry.

The governor said he had himself seen one truckload of bodies after the shooting and said the figure could be even higher. He warned he would resign unless a government commission investigating the shooting published the truth.

The European Community on Tuesday joined the growing number of countries demanding that Indonesia allow an independent investigation commission to visit the former Portuguese colony it annexed in 1976.

Mr Carrascalao said the firing went on for about two minutes and most of those shot were praying inside the cemetery.

They were attending a memorial service for a separatist killed in earlier riots between supporters and opponents of the annexation, which most countries do not recognise.

Mr Carrascalao said only a few people had been standing outside the cemetery and shouting slogans in support of the Fretilin separatist guerrillas. He accused a secret force of pro-Indonesian vigilantes for creating the situation that led to the violence.

China recovers corruption cash

China has recovered 354m yuan ($65m) in a crackdown on corruption this year, the official New China News Agency said yesterday, Reuter reports from Beijing. The authorities solved 797 cases in which senior officials were implicated and 9,800 cases involving more than 10,000 yuan each.

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OUR DEDICATION GOES FURTHER

AMERICAN NEWS

Duke to run against Bush for presidency

By George Graham in Washington

MR David Duke, who was defeated last month in his attempt to become governor of Louisiana after a fierce and racially divided campaign, yesterday announced that he would run against President George Bush for the Republican nomination in next year's presidential election.

"*I believe the country under the Bush administration is not heading in the right direction,*" Mr Duke said.

The Republican party has disavowed Mr Duke because of his past association with the Ku Klux Klan and with neo-Nazi groups and because of his continued advocacy of anti-black policies, but Mr Duke said he planned to run in as many Republican primaries as possible.

While few psephologists expect Mr Duke to pose a serious danger to Mr Bush's nomination, his candidacy, together with that of Mr Patrick Buchanan, the conservative commentator who is also expected to challenge Mr Bush, threatens to outflank the president on the right.

Duke: critic of Japan

Already under pressure from more mainstream Republican conservatives such as Mr Newt Gingrich, the House of Representatives minority whip, Mr Bush is expected to have to meet Mr Duke and Mr Buchanan halfway on issues such as crime, welfare and job quotas for minorities.

Democratic strategists believe this could leave the way open for a Democratic candidate to seize the political centre.

The White House yesterday attacked Mr Duke's candidacy. "We believe David Duke represents the worst of American politics, stands for bigotry, racism and other qualities that have no place in American *political life,*" *said Mr Marlin* Fitzwater, the White House spokesman.

In a bid to expand his political range Mr Duke yesterday focused on trade policy, calling for the US to take a tougher line with its trading partners. "We must go to the Japanese and say: 'You no buy our rice, we no buy your cars'," he said.

Mr Duke is expected to concentrate his attention on the "Super Tuesday" primaries in southern and southwestern states such as Mississippi, Oklahoma, Texas and his home state of Louisiana on March 10.

Garcia cleared of illegal enrichment allegations

By Sally Bowen in Lima

MR Alan Garcia, Peru's former president, is unlikely to face trial on charges of illegally enriching himself, as a supreme court judge has decided there is insufficient evidence to proceed.

The ruling appears to close a 15-month investigation into allegations that Mr Garcia enriched himself over 12 years of public life, including his 1985-90 presidential term. He was initially accused of holding $50m (£28.2m) in overseas bank accounts, but this was never substantiated.

However, a lawyer representing Peru's Congress immediately appealed against the decision. A supreme court tribunal has been asked to make a definitive pronouncement.

Other charges against Mr Garcia have also dwindled. A late October Senate ruling had found "suspicions" of his complicity in a scandal involving bribes by the Bank of Credit and Commerce International to central bank officials, and in alleged irregularities over a 1986 government contract to buy 26 Mirage jet fighters from France. But the attorney general dropped these allegations for lack of evidence.

The only charge remaining concerned a $400,000 discrepancy between income and expenditure over 12 years. Mr Garcia claimed the amount he could not justify with invoices was a mere $37,000.

Mr Garcia effectively launched his campaign for the 1995 presidential election on Tuesday. He bore no hatred against his accusers, he said, waving the party's traditional white handkerchief. The last few months were hard, "but we have emerged strengthened."

Showing signs of his readiness to assume the mantle of chief opposition leader, Mr Garcia has called for a series of nationwide demonstrations by popular organisations for December 20, to protest at the policies of President Alberto Fujimori's government.

● The presidents of Ecuador and Peru have held a historic meeting to discuss a decades-old border dispute and agreed to more high-level contacts to try to solve the problem, Reuter reports from Cartagena, Colombia.

In a joint statement after a two-hour meeting on Tuesday at the resort of Cartagena, Presidents Rodrigo Borja of Ecuador and Alberto Fujimori of Peru said they had not settled the dispute but agreed to meet again by next January 15.

US moves the economic goalposts

GDP is to replace GNP as the main measure of production, writes Michael Prowse

FORECASTING the US economy is difficult at *the best of times* – but yesterday the Commerce Department moved the goalposts by substantially revising the past.

In one of the biggest statistical shake-ups of recent years, the US yesterday belatedly moved into line with other industrial countries by adopting gross domestic product (GDP) as its primary measure of production.

Gross national product (GNP), the preferred measure of economic activity for 50 years, will now be relegated to *a subsidiary role.*

Simultaneously, the department switched its base year for measuring price changes from 1982 to 1987. Such rebasing occurs every five years and is necessary to reflect changes in the structure of the economy.

The department also revised growth figures to reflect data accumulated in the past few weeks. The net effect of the changes is substantially to alter the profile of the recession.

The new GDP figures (at constant 1987 prices) indicate:

● The recession was deeper than originally calculated. *GDP fell at an annual rate of* 3.9 per cent in the fourth quarter *of last* year. *The old* GNP figures (at constant 1982 prices) *indicated a decline* at an annual rate of only 1.6 per cent.

● The recovery began sooner. GDP grew at an annual rate of 1.4 per cent in the second quarter. The old GNP figures showed a contraction at an annual rate of 0.5 per cent.

● The economy has recently been even more sluggish than suspected. GDP grew at an annual rate of only 1.7 per cent in the third quarter. The old GNP figures showed a *rise of* 2.4 per cent. (Revised GNP figures indicate growth of 2 per cent in the third quarter, a less *pronounced slowdown.)*

GNP was about $40bn *(£22.5bn) – or* just under under 1 per cent – larger than GDP last year, reflecting small but positive net dividend and interest income. But as the charts illustrate, the two measures of output can diverge substantially over short periods.

GDP refers to production taking place in the US. It measures goods and services produced in the US, regardless of the ownership of plant and equipment. GNP refers to the income available to US residents, regardless of where it is generated. It measures goods *and services produced* by labour and property supplied *by US residents anywhere.*

The profits of foreign-owned *companies operating* in the US are thus included in GDP but not in GNP. Likewise, the profits of US-owned companies overseas are included in GNP but not in GDP.

GDP is the more logical measure of economic developments within a country. Unlike GNP, it is consistent with other measures of domestic activity, including employment, industrial production, investment and productivity.

GNP figures will continue to be published, but about a month *later* than *GDP figures* for the corresponding period, reflecting *the difficulty* in estimating net payments of *dividends* and interest. The delay will ensure that financial markets focus on the GDP figures.

The rebasing of prices is a more routine change. However, it invariably results in a downward revision of past growth rates, because people buy more of goods and services that register the smallest increase in prices. When real output is estimated using the new prices, less weight is thus attached to the fastest growing parts of the economy.

The shift from 1982 to 1987 prices has reduced the relative weights attached to computers and oil because the prices of these have fallen sharply.

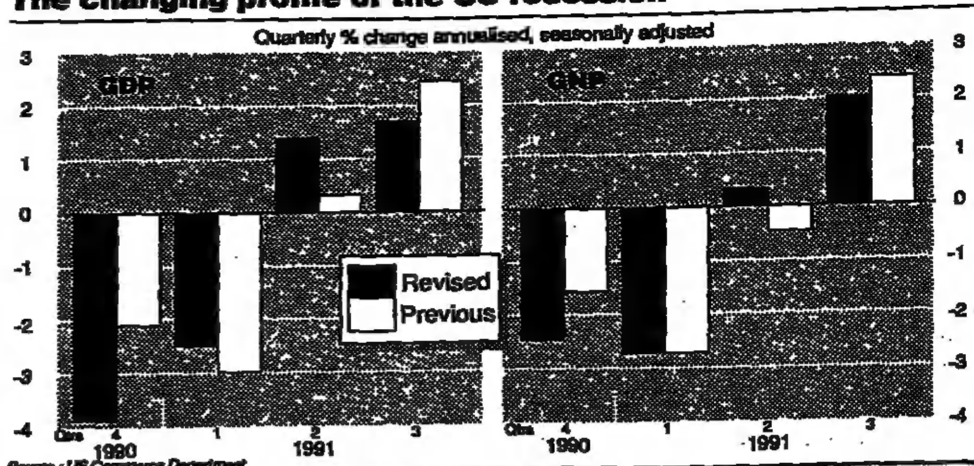
Using 1987 as the base period, GDP grew at an average annual rate of 2.5 per cent between 1977 and 1990, 0.2 percentage points slower than previously estimated. (For real GNP, the real growth rate was also revised down 0.2 points to 2.5 per cent.)

The revisions take the froth off the "Reagan boom" of the 1980s. During the expansion from 1982 to 1990, real GDP grew at an annual rate of 3.4 per cent, not 3.7 per cent as previously estimated. In the downturn since the third quarter of last year, real GDP fell 0.9 per cent, 0.3 points more than previously estimated.

The new figures indicate a more *flattering profile for* personal savings in the 1980s. The personal savings rate fell from 8.8 per cent in 1981 to 4.4 per cent in 1987. This was a substantial drop but far less alarming than the previously calculated decline from 7.5 per cent to 2.9 per cent. Since 1987, the revisions show the savings rate rising to 5.1 per cent last year against a previous estimate of 4.6 per cent.

The Commerce Department yesterday said it would also alter the way it calculates inflation in national accounts. The old GNP price index will be replaced by a "gross domestic purchases" price index. The purchases index will measure prices paid by US residents and is thus regarded as a more reliable measure of domestic inflation.

The changing profile of the US recession



Source: US Commerce Department

Brazilian nuclear deal row

A ROW has erupted within the Brazilian government over an alleged deal to sell nuclear energy equipment to Iran, *Christina Lamb writes from* Rio de Janeiro.

Mr João Santana, the infrastructure minister, was quoted at the weekend as saying Brazil was *discussing* with Iran the sale of the equipment for Angra III, one of eight nuclear power plants Brazil had hoped to build with German technology under an accord signed in 1975.

The news provoked protests and embarrassed *the Foreign Ministry,* which is negotiating an accord with the US *to* remove Brazil from the list of countries which cannot receive sensitive technology.

The ministry denies there has been any deal with Iran, which is now its main oil supplier. However, the Infrastructure Ministry confirmed this week that the matter had been discussed during Mr Santana's visit to Tehran in July. However, a spokesman said: "there is no negotiation as such – it's just an idea or conversation."

Mr Jose Luis de Santana Carvalho, president of Brazil's Nuclear Energy Commission, said Brazil was interested in selling the Angra III equipment, valued at $150m (£84.7m), because it cannot complete the project. Germany would first have to be informed of any sale.

"To sell it to Iran might be commercially interesting *but it is politically* impossible," he said.

New US bank reform plans

CONGRESS and the Bush administration both plan to try again next year to introduce wide-ranging banking legislation, after this year's efforts ended in a narrow bill which abandoned most of the reforms initially proposed by the administration, George Graham writes from Washington.

Mr Henry Gonzalez, chairman of the House *banking* committee, said he planned to hold hearings next year to investigate the costs and benefits of allowing banks to open branches outside their home states – a measure dropped from last month's banking bill – and to discuss the repeal of the Glass-Steagall Act. Since 1933 the act has barred commercial banks from the securities business.

Meanwhile, Mr Michael Boskin, chairman of the president's council of economic advisers, said the administration would make another attempt to pass important banking reforms rejected by Congress last month.

Mr Gonzalez, however, criticised the administration for its bungled attempt to force through reforms by tying them to the urgent refinancing of the bank deposit insurance fund.

He complained that the Treasury had never produced any proof to back its claims that allowing banks to set up branches across state lines, to expand into the securities business and to open their capital to commercial companies would make the banking industry more profitable.

هكذا من الأصل

Dunkel to quit as US, EC seek end of farm deadlock

By **William Dullforce** in Geneva and **David Gardner** in Brussels

GATT'S TWO top officials announced their departure yesterday, as the EC and US stepped up efforts to break the farm subsidy deadlock and stop the final collapse of the Uruguay Round talks.

Mr Arthur Dunkel, director-general, told Gatt's annual meeting he would not seek re-election when his mandate expires at the end of 1992. He suggested his successor could be appointed well before his contract expired, in which case he would be ready to hand over earlier. Mr Charles Carlisle, deputy director-general, said he was resigning from the end of February.

Trade diplomats saw the news as signalling the Gatt leadership's view that the five-year trade talks must be wound up within weeks, and not be suspended until after the US presidential election.

Mr Dunkel said that by reaffirming an earlier decision, he had put himself in a position to act without constraints to end the Round successfully. Mr Carlisle said he had wanted for some time to resign for personal reasons but the choice of the February date was not coincidental. "In my judgment, that is the very latest at which the whole negotiation can be wrapped up successfully."

Mr Richard Crowder, US agriculture under-secretary, flew into The Hague yesterday to join the last-chance effort to narrow the gap between the EC and US positions on farm reform which President Bush and Mr Ruud Lubbers, Dutch prime minister and current EC president, have told senior negotiators to do.

At a Tuesday night dinner, at which the presidents' troubleshooters, Mr Robert Zoellick, under-secretary for economic affairs in the State Department, and Mr Pascal Lamy, chief aide to Mr Jacques Delors, EC Commission president, were present, EC officials spoke of a "gleam of hope".

At least six serious differences separate the two big trading powers on how to cut aid to farmers in three areas: export subsidies, domestic supports and border protection.

EC officials have hinted that a compromise on the base period from which reductions would be calculated could be reached by taking the average subsidy levels between 1986 and 1990.

A "trade-off" was suggested under which the EC would be allowed to freeze imports of corn gluten and other animal feedstuffs at the average annual flow of the past few years. In return, the EC would accept an export subsidy formula mixing cuts in budgetary allocations with those in tonnages of subsidised products on the world market, on which the US is insisting.

But officials were cautious about forecasting success. "The chances are still no better than 50-50," one said. As well as Mr Crowder, Mr Frans Andriessen, EC trade commissioner, and Mr Ray MacSharry, farm commissioner, joined the Hague talks yesterday. Mr MacSharry and Mr Edward Madigan, US agriculture secretary, have spoken several times by phone in the past few days and were understood to be planning face-to-face talks, probably for the weekend.

In Geneva today, negotiators resume efforts to produce texts of agreements in all areas in the Round before December 20. Mr Dunkel has called a meeting of negotiators from the eight principal farm-exporting countries for this afternoon, but the EC and US are unlikely to attend. Ministers from the Cairns group of 14 farm-exporting countries led by Australia, the third protagonist in the farm talks, are due to meet in Geneva on Monday.

European industrialists said they could no longer accept that the farm dossier keep delaying progress in other areas of the Round essential for industry. National presidents of the union of European industrialists and employers had met Mr Lubbers, urging him not to accept unbalanced agreement in the trade talks for the sake of a result. Results to date in market access, Gatt rules, services and intellectual property did not meet the expectations of business, they added.

Environment rules set stage for Gatt conflicts

Resolving the clash could be the most important trade issue of the 1990s, **Nancy Dunne** writes

TEEPAK, an Illinois food packaging manufacturer, says it pays dearly for its environmentalist principles.

The company has spent millions of dollars on air scrubbers, ventilation systems, asbestos abatement, worker health and safety controls, and research and development into new pollution control and recovery technology. Now it wants the government to help ensure that its convictions, and tough US environmental standards, no longer work to the advantage of foreign competitors.

Testifying on Capitol Hill last month, Mr James Hermesdorf, company president, pushed for passage of the International Pollution Deterrence Act, allowing imposition of countervailing duties on imports from countries which do not impose strict environmental rules.

"Having to compete in the US in a totally 'free market' atmosphere with companies/countries which have yet to develop such standards is inherently unfair," Mr Hermesdorf said. "It puts us into a game where the unevenness of the rules almost assures we cannot win or even hold our own."

The legislation, sponsored by Senator David Boren, an Oklahoma Democrat, shows the clash between rules governing international trade and national regulations to preserve disappearing species and resources, and clean up air and water. A recent Gatt ruling against the US for its ban on Mexican tuna caught with driftnets, which is designed to protect dolphins, is another such case.

The Boren Bill would use the proceeds of the countervailing duties to finance transfer or sale of pollution and control equipment to developing countries, and create a fund to help US companies develop new environmental technologies. The legislation has been praised in the US as an innovative approach for dealing with environmental issues; it is seen as more constructive than some of the outright bans, quotas and other trade curbing efforts which have been devised. But it could be illegal under current Gatt rules.

Resolving the conflict between trade and environment is likely to be the most important trade issue of the 1990s, says Mr Michael Smith, former deputy US trade representative. "Environmental concern cuts across political parties in our country and the rest of the industrialised world. With the collapse of communism, it provides an agenda around which people around the world can unify."

The US government is being urged to help ensure that tough environmental standards no longer work to the advantage of foreign competitors

But the issues are fraught with complications. Trade laws are "documented and articulated". Environmental laws are less precise and often are based largely on conjecture. "Marrying precision and imprecision will give rise to inevitable conflict," Mr Smith says.

The rise of the "Greens" as a force in the global trading community is met with cynicism and concern in many developing countries. There, officials worry that trade embargoes will be imposed on trumped-up grounds of health, safety or environment. Why, it is asked, do industrialised countries expect more of us now than they did for themselves at similar stages of development?

Baucus: call for 'Green Round'

A multilateral solution could be years away. The Uruguay Round trade talks in Geneva cannot handle the extra complexities of trade and environment. Yet the round, if successful, will spawn new industrialisation which may intensify environmental degradation unless Gatt comes to grips with the peril.

Another danger exists, Mr Smith warned: That right and left "fringe elements" will gain control of the debate, to the hurt of trading and environmental interests. On the right are groups which decry claims by mainstream scientists of environmental damage. To the left are those such as Mr Ralph Nader's Public Citizen, which recently held a seminar entitled "Everything You Wanted to Know About Gatt But Were Afraid to Ask".

Public Citizen views Gatt as a conspiracy where "unelected, unknown international bureaucrats, heavily lobbied by big business, establish world health, safety and environmental policy". Decisions are made and disputes settled in secret without the input of non-governmental organisations. "A nation's sovereignty to set and enforce health, safety and environmental laws is compromised; environmental protection and consumer preference are categorised as barriers to trade and face elimination."

Senator Max Baucus, Senate trade sub-committee chairman, has urged Gatt members to agree to the immediate convening of a "Green Round" once the current talks are ended.

He suggests the creation of a Gatt Environmental Code modelled on the current Subsidies Code, where each nation could set its own standards. It would ban or restrict imports of goods produced in ways that violate internationally recognised norms, and allow the imposition of trade sanctions to enforce environmental accords.

Countervailing duties could be levied if the products or processes producing them fail to meet the importing nation's environmental standards. But the standards must be based on scientific findings and applied equally to domestic products. The duties should offset any economic advantage gained by making the product under less stringent environmental protection rules.

The countervailing duties proposal alone sets the stage for confrontations. How will "scientific findings" be defined? How can nations, which have difficulty proving competitive advantages gained through subsidies, show the indirect impact of environmental expenses not incurred?

This and other conflicts must somehow be resolved, Senator Baucus said. "We cannot allow Gatt to become a shield for nations that shun internationally recognised norms for environmental protection. Gatt must recognise environmental protection as a legitimate objective of trade policy."

Japan resists US research call

By **Robert Thomson** in Tokyo

JAPAN yesterday resisted US requests for help in an \$8.25bn (£4.6bn) basic research project for a particle accelerator – the superconducting super collider – which has become a source of trade friction between the two countries.

Mr James Watkins, US energy secretary, said Washington wanted Japan's "commitment" to the Texas-based project, and pledged President George Bush would raise the issue in Tokyo in January. But Mr Tsutomu Hata, Japan's finance minister, resisted the US demands for a contribution of \$1.25bn to the project, which involves building a 54-mile tunnel using superconducting magnets to generate particle collisions and, ideally, provide basic information on matter and energy.

Japan has been criticised for making a minor contribution to basic research, while applying commercially the successes of other countries' research programmes. But Mr Hata indicated that instead of contributing to the US project, Japanese money could be used to develop domestic research facilities.

Mr Watkins said Japan's involvement would be to bolster their "global partnership in science", and warned that planning for the project had reached a "critical point"; an immediate Japanese commitment would be extremely helpful, while a rejection would be a "tragic" missed opportunity for Tokyo.

Washington has spent about \$730m on the project. However, Congress has held federal expenditures down to two-thirds of the project's cost, and the state of Texas has contributed \$1bn. US officials have hoped Japan would make up the rest and Washington had initially wanted money only, but now proposes Japan build one of the two superconducting magnetic rings. US officials have talked with Canada, South Korea and India about the project, but are now concentrating on convincing Japan to take part.

Mr Watkins said such participation would be evidence that Japan is assuming "its rightful role as a world leader in basic science as well as applied technology". He suggested one way of countering protectionist sentiment in the US was to "reaffirm and expand traditional US-Japan co-operation in science". But to many Japanese officials, the US demands appear to be another attempt to win funds by using the threat of "protectionist sentiment" in Congress.

Controversy surfaces over computer bid by Toshiba

By **Robert Thomson**

CONTROVERSY over Japanese public contract bidding procedures surfaced again yesterday. The controversy arose following news that Toshiba, the electronics company, had lodged a bid of about Y77,250 (£335) to win a contract for a feasibility study for a computer system.

The US has demanded that bidding procedures be made more transparent, while Japan's Ministry of International Trade and Industry (Miti) expressed concern two years ago when it was revealed that Fujitsu, the computer company, had bid Y1 for a design contract.

Toshiba said yesterday that the bid was reasonable because it represented only the first stage of a three-stage project, although the three other competitors apparently bid between Y1m and Y2.8m for the contract to design a computer system for a waterworks project for the city of Kawasaki, near Tokyo.

A Kawasaki waterworks official said no minimum limit was set for bids, and the Toshiba offer was considered fair. Toshiba also said it was able to bid low because of past experience on similar projects.

Past criticism of low bids for computer projects has focused on alleged attempts by the bidding company to tie up later equipment supply contracts by ensuring that it wins the design stage contract. Miti had issued a directive to all companies that they must bid "fairly" for contracts, and that foreign suppliers must be given a reasonable chance to compete.

Chile may cut tariff ceiling

CHILE'S finance minister, Mr Alejandro Foxley, has offered to cut Chile's import tariff ceiling from 35 to 25 per cent ahead of meetings with US trade officials in Washington next week, Leslie Crawford reports from Santiago.

Chile's offer meant it was the first country to accept Gatt's recommendation to slice 30 per cent off import duties, Mr Foxley said. He hoped others would follow suit "to ensure the success of the Uruguay Round of trade talks".

Chile applies a uniform 11 per cent import tariff, except where it suspects dumping, when the ceiling is invoked. Chile was willing to subscribe to Gatt's anti-dumping code, Mr Foxley added.

Next Monday, Mr Foxley is due to meet Ms Carla Hills, US trade representative, to discuss prospects for a US-Chile free trade agreement.

UK NEWS

British Labour party persuades international group to drop plans for common identity of military forces

European socialists dilute defence plan

By David Gardner in Brussels

BRITAIN'S opposition Labour Party yesterday persuaded its EC socialist colleagues to dilute their formal commitment to a European defence identity, only a day after EC foreign ministers reached a large measure of agreement on a future common defence policy.

The concession Labour won appeared designed to demonstrate a firm line on defence to the UK electorate, by showing that the party is even more concerned to preserve Europe's existing defence arrangements than the government.

Mr Neil Kinnock, Labour's leader, told a meeting of the Confederation of Socialist Parties that he believed Europe's security was best served by the North Atlantic Treaty Organisation (Nato), and that he did not want to see the European Community evolve a defence role.

"We do not want to see the development of the EC into a Community with a defence identity and role," he told a pre-Maastricht meeting of 14 EC socialist parties.

He argued for the primacy of Nato, because "conditions are too volatile and changes too new to move further than we are agreeing now."

The parties agreed that the Western European Union (WEU), the defence grouping to which nine Nato members of the EC belong, should be "a means of strengthening the European pillar of the Alliance."

But, in a wording taken straight from the communiqué of last month's Nato summit in Rome, they stressed the "different nature" of the WEU's relation to Nato and to the future European political union.

However, in the agreement tentatively reached by foreign ministers here on Tuesday, the WEU would become the defence arm of the the European Council (of EC heads of government); the Council would work "in accord with" it, in a way which was "compatible with" Nato policy.

Mr Douglas Hurd, the UK foreign secretary, said this "preserves our main concerns" about the WEU becoming beholden to the EC and thereby weakening Nato.

Tuesday's formula tilts towards the French position on common defence, away from Britain's, and yet Mr Pierre Mauroy, leader of France's ruling Socialist party, assented to yesterday's fudge.

Mr George Robertson, Labour's spokesman on Europe, remarked tartly that it was "easy to get compromises when you are seen to be negotiating in good faith."

Labour's sister partners, similarly made no attempt to get "federal," or qualified majority voting on foreign policy, into the outline of political union they urged on the Maastricht summit yesterday.

With Labour's support, they did however call for majority voting in social and environmental policy, and much greater powers for the European parliament.

The Dutch presidency of the EC made clear on Tuesday that Britain would have to "pay a price" through concessions in these areas in exchange for the now all but certain dropping of the "F-word" from the treaty.

● Mr Gordon Brown, Labour's trade and industry spokesman, began the Labour Party's attempt to wrest the domestic political initiative from the Conservatives. Speaking in Birmingham, he criticised the government for its "complacent, do-nothing" attitude towards the loss of jobs in industry, argued that a healthy economy needed at its base a healthy manufacturing industry and called for "a new manufacturing partnership". Mr Brown's remarks were the opening salvos in a political campaign which will reach a high point next January when the opposition party plans to unveil new economic policy initiatives.

Britain's pulse misses the Thatcher beat

Philip Stephens finds visiting journalists in pursuit of the 'Big Idea' in UK politics

IT is the time of year when foreign journalists descend on Westminster to take the nation's political pulse. A European Community summit is on the horizon and they are charged with the task of explaining once again the "British problem" to incurious audiences in Paris and Rome, Brussels and Bonn.

There is a format now to such visits. The correspondents arrive bewildered (the more so since Mrs Thatcher has gone) at how the "great debate" over Europe can so absorb Britain's political elite. They listen patiently while MPs and commentators explain the history, the cultural clashes, the constitutional niceties and the sheer romanticism which separate Britain still from the European mainland. They record their interviews, write their articles and depart bemused.

This time though there has been another line of questioning, related only tangentially to Maastricht. The visitors are interested in what one termed Britain's political "project".

They found it easy with Mrs Thatcher. She privatised things, cut taxes, relished battles, hated state intervention and wanted to make Britain great again. She faced someone called Mr Neil Kinnock who was struggling to dump his party's unpopular socialist past but who seemed destined always to lose elections.

Overseas observers find John Major seemingly intent on dumping Thatcherism while Neil Kinnock apparently will embrace anything with a European label. But neither has a project for the 1990s that is easily explained to European audiences.

Now these overseas observers find Mr John Major seemingly intent on dumping Thatcherism. Mr Kinnock, they are told, could actually win. Mr Major might not sign at Maastricht but he will be nice about it. Mr Kinnock apparently will embrace anything with a European label.

Yet neither, they complain, has an outlook, a project, for the 1990s that is readily susceptible to explanation on Danish television or French radio. It is an observation that carries the sharpness that comes with unfamiliarity.

As the clock ticks away and the opinion polls point to stalemate there is a deep unease at the prospect of fighting a general election without definition.

Mr Major and Mr Kinnock have plenty of policies. Both have yet to discover the "big idea" with which to cement together the fragments.

Mr Chris Patten made a stab at it for the Conservatives in a lengthy BBC television interview last weekend. The wrath of his party's right wing forced him to abandon the imagery of a German-style social market. So he spoke of adding a "public sector ethos" to the spirit of private enterprise re-awakened during the 1980s.

To administration insiders it is a fair description of the way in which Mr Major runs his government. He is happy to spend taxpayers' money (witness the angst of the Treasury establishment), he likes new ideas (hence the Citizens Charter) and has encouraged departments across Whitehall to disinter wheezes long ago buried by Mrs Thatcher.

The style is political and technocratic. Everything is weighed carefully against its impact at Westminster and in the country. What is missing is an over-arching strategy into which decisions must fit.

There is no shortage of clever schemes in Labour's locker. Some of them – like constitutional reform – have potential consequences stretching far beyond their intended aims. Some – like the industrial and training policies – are there to underpin Labour's claim to European modernism. Others are simply items on a wish list for a second term.

But scratch beneath the surface of the glossy policy documents and it is clear that the Labour leadership has only two real ambitions.

The first and overriding is to prove itself competent. The second is to prove that his would be a more decent government than Mr Major's – hence the, deliberately modest, redistribution of wealth implied by higher taxes on the better off and more spending on pensions and child benefit.

Foreign journalists – and British voters – will have to come to terms with politics without a project.

BRITAIN IN BRIEF

House prices may fall 3% over the year

UK house prices are expected to fall for the first time in a calendar year since 1983, Halifax, the country's biggest home loans and savings institution, has said. The Halifax said, by the end of this month, prices on average were likely to be between 2.5 per cent and 3 per cent lower than a year ago. Prices last month fell on average by 0.8 per cent compared with the previous month, and were 2.4 per cent lower than November last year. The further decline illustrates the depth of the recession in the housing market which has still to recover despite sharp falls in interest rates. Background, Page 17

London fares to rise 7.5%

Fares on London's buses and underground will rise in real terms in the future, London Regional Transport has hinted. London fares are to rise by an average of 7.5 per cent next month, but the company said in a statement there was "a strong case for somewhat higher fares than today".

Flexible hours for families

Ernst & Young, chartered accountants and management consultants, has introduced a "family policy" of flexible working hours, part-time working and enhanced maternity benefits for its partners and 7,500 UK employees.

It says it is the first large professional firm to introduce such a package. The aim is to retain able female employees and increase the number of women senior managers and partners, the company said.

Public may gain from dispute

Union leaders at the Inland Revenue said thousands of people could receive early tax repayments after members voted for industrial action over a pay dispute. The union is instructing its members to work "to charter", a reference to the government Citizen's Charter and its exhortation to public servants to provide a better service to the public.

Le Pen avoids demonstrators

Mr Jean-Marie Le Pen, leader of France's extreme right-wing Front National party, (pictured above) failed to provoke widespread protests when he arrived in London. He avoided anti-fascist demonstrators, who arrived after he had started talks on east European politics inside the Sheraton Park Tower Hotel. Mr Le Pen, elected to the European parliament in 1984, was in London for a meeting of the European Rights Group, a small association of extreme right-wing members of the European Parliament which he set up.

£25m boost for technology

The government has launched a £25m, 12-month initiative to boost technology teaching in schools. At least 75 schools will receive about £250,000 each in 1992-93 on the basis of their "strong commitment" to technical education.

Peugeot Talbot to cut breaks

Peugeot Talbot, the UK subsidiary of Peugeot, the French car maker, has told workers it is to increase speeds on production lines and cut breaks to enable it to compete more effectively with competitors. The move, affecting about 2,700 of its 4,000 employees, is the latest in working practice changes introduced by car manufacturers as they prepare for the increased competition from Japanese companies with bases in the UK.

MPs told of Japan order

Executives at Sheffield Forgemasters, the company which won the contract to manufacture giant steel tubes intended for Iraq's supergun programme, claimed the affair had attracted investment from Japan. Mr Philip Wright, the Forgemasters chief executive, told a committee of MPs: "A very major Japanese company came to us and bought from us entirely because of what happened here." The company's involvement in the supergun affair was exposed in April 1990 when steel tubing was seized by customs officers before it was exported to Iraq. Sheffield Forgemasters denies it knew the intended purpose of the tubing.

Store attacks Sunday trade

C&A, the clothing business, has launched a campaign costing more than £100,000 explaining why it will not trade on Sundays. "We firmly believe that the law must be respected," the company says. "Laws exist to protect customers, employees and retailers alike and we do not accept that we have the right to pick and choose which laws to obey and which to ignore."

Therm meets its kilowatt hour

The therm, the imperial measurement of gas volume, is to be replaced by the kilowatt hour after 31 December 1999, under an EC ruling approved by parliament. British Gas, the UK supplier and distributor, intends to replace the therm by next Spring.

THE RTZ DAVID WATT MEMORIAL PRIZE

This prize is a tribute to a man widely regarded as one of the UK's outstanding writers, thinkers and political commentators.

It was introduced in 1988, following the tragic and untimely death of David Watt, to commemorate his life and work.

To be eligible, writers must be actively engaged in writing on international and political matters for newspapers and journals, and in the English language. In the opinion of the judging panel their writing must have made an outstanding contribution towards the clarification of political issues, whether international or domestic, and the promotion of their greater understanding.

The 1992 Memorial Prize, which is £5,000, is organised, funded and administered by RTZ to whom entries should be sent.

Full details and entry forms are available from The Administrator, The David Watt Memorial Prize, RTZ Limited, 6 St. James's Square, London SW1Y 4LD. Closing date for entries and nominations is 18th March 1992.

LEGAL NOTICES

COLWYN STATION LIMITED
In Receivership
BOURNE LINCS LIMITED
In Receivership
LICHFIELD WOOL LIMITED
In Receivership
GREAT YARMOUTH WOOL LIMITED
In Receivership
WORKINGTON WOOL LIMITED
In Receivership
NEWQUAY WOOL LIMITED
In Receivership
HAVERFORDWEST WOOL LIMITED
In Receivership

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that meetings of the unsecured creditors of the above named companies will be held at The Hotel Metropole, King Street, Leeds on 20th December 1991, at 3:30 pm for the purpose of having laid before them a copy of the report prepared by the Administrative Receivers under Section 48 of the said Act. The meetings may, if thought fit, establish a committee to exercise the functions conferred on creditors committees by or under the Act.

Creditors are only entitled to vote if:

(a) they have delivered to the address shown below, no later than 1200 hours on 19th December 1991, written details of the debts they claim to be due to them from one or more of the above companies, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Act 1986; and

(b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.
M.J. Moore and D.J. Waterhouse.
Joint Administrative Receivers.
Coopers & Lybrand Deloitte.
5 Albion Place, Leeds LS1 6JP.

Dated: 3rd December, 1991.

Notice of Appointment
of Administrative Receiver
PRS CONSULTING INTERNATIONAL LIMITED

Registered Number: 2612141

Former Company Name: DE Facto 197 Limited
Trading Name: PRS Consulting International Limited
Nature of Business: Consultants to the Automotive Industry
Trade Classification: 46
Date of Appointment of Administrative Receivers: 28th November, 1991.
Name of Person Appointing the Administrative Receivers: Mr. H.R. Shupak, Shupak, Blank & Landys, Mr. J Challis, H. W. Fisher & Co.
Joint Administrative Receivers: William Morys Roberts and Margaret Elizabeth Mills (Office Holder No. 2505 and 5316), Becket House, 1 Lambeth Palace Road, London SE1 7EU.

THE INSOLVENCY ACT 1986
LEXINGTON SECURITIES LIMITED
LEXINGTON INVESTMENTS LIMITED
LEXINGTON PROPERTIES LIMITED
(All In Receivership)
NOTICE IS HEREBY GIVEN pursuant to Section 48 of the Insolvency Act 1986, that a Meeting of the Creditors of the above companies will be held at Grant Thornton, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP, at 10.00 a.m. on Thursday, 19 December, 1991.
In order for creditors to be able to vote, details of your claim must be lodged at the above address not later than 12 noon on Wednesday, 18 December 1991. In addition, a form of proxy must also be lodged prior to the meeting.
Dated: 2 December 1991.
[illegible], Joint Administrative Receiver.

IN THE MATTER OF
MILL PROCUREMENT SERVICES LIMITED
AND IN THE MATTER OF
THE INSOLVENCY ACT 1986
In accordance with Rule 4.106 of The Insolvency Rules 1986 notice is hereby given that I, Peter S. Dunn FCA, a Licensed Insolvency Practitioner of Latham Crossley & Davis, 45 Cornhill Street, London W1R 9FB, was appointed Liquidator of the above Company by the Creditors on 28th November 1991.
Dated this 28th November 1991
Peter S. Dunn FCA, Liquidator
Latham Crossley & Davis
45 Cornhill Street, London W1R 9FB

CLUBS

RIDDELTON LIMITED
HK$1,000,000,000
Floating Rate Bonds due 2000
Guaranteed by
THE DEVELOPMENT (INTERNATIONAL) LIMITED
Notice is hereby given that for the interest period 1 December, 1991 to 31 May, 1992 (both dates inclusive) the interest rate has been fixed at 7.25% per annum. Interest payable on 1 June, 1992 will amount to HK$36,349.32 per HK$1,000,000 Tranche A Bond.
Wardley Limited
Agent Bank

هكذا من الأصل

UK NEWS

NORTHERN IRELAND

Political leaders agree to meet

By Ralph Atkins in Dublin

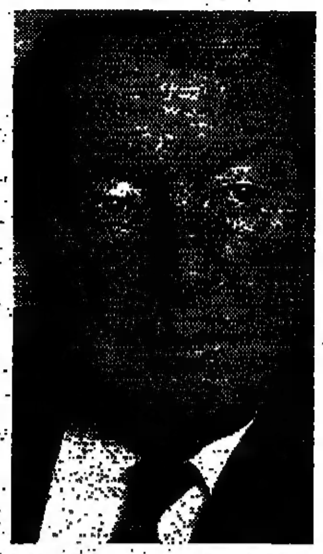
THE British and Irish prime minister are to meet every six months in an apparent attempt to increase pressure on Northern Ireland's political leaders to re-start round table talks on the future of the province.

Mr John Major and Mr Charles Haughey, the Irish Taoiseach, agreed yesterday that meetings will alternate between London and Dublin. They were speaking after the first formal Anglo-Irish summit in Dublin since 1980.

Their decision is aimed at improving the often fraught relations between the two countries and at sending a signal of defiance to terrorists. The leaders also hope it will persuade Unionist and nationalist leaders to resume a dialogue following the collapse of "round-table" talks in July.

"We need to set an example in this respect. We need to show everyone that democracy is strengthened and not weakened by dialogue," said Mr Major.

Both leaders urged the early resumption of political talks but their success will depend critically on the reaction of Unionist leaders who have called for a complete re-working of the ground rules for talks.



Haughey: improving links

In particular, the Unionists object to the continuance of the 1985 Anglo-Irish Agreement, which gives Dublin a say in the affairs of Northern Ireland. But yesterday's decision is likely to strengthen, rather than weaken, the countries commitment to the pact.

The six monthly meetings of the two prime ministers will not officially take place under the auspices of the 1985 Agreement – but it is possible that the same civil servants may serve both.

Mr Major did not specifically mention the Unionist leaders in his comments but said,"a proper dialogue...is the credible and rational way to proceed". He said it would be "time wasting" if talks were deferred until after the general election, as favoured by some Unionists.

Mr Haughey said the 1985 Agreement should be built upon, proposing that more ministers should be brought into the regular inter-governmental conference meetings to discuss subjects such as trade, agriculture and tourism.

Since July Mr Peter Brooke, Northern Ireland secretary, has been holding low-profile meetings with Mr James Molyneaux and Dr Ian Paisley, the two unionist leaders, and Mr John Hume, leader of the nationalist Social Democratic and Labour Party. But he has so far failed to reach an semblance of an agreement to resume talks.

The prime ministerial meetings will discuss a range of matters of mutual interest as well as Northern Ireland. Britain and Ireland have clashed in the past over cross-border security and extradition of terrorist suspects.

● Mr Ken Maginnis, the Ulster Unionist party's security spokesman, said he hoped the increased contact would mean clarification of how Dublin proposed to deal with the articles in the Republic's constitution claiming territorial rights over Northern Ireland. "If matters are to be dealt with at prime ministerial level, then obviously there will be greater scrutiny of the Republic's contribution to the problems which impede a resolution within Northern Ireland," he said.

Road repair backlog hits motorways

MUCH of the UK's main road network will be closed over the next five years to deal with a mounting backlog of repairs, the House of Commons public accounts committee said yesterday in a report critical of the management of the country's road maintenance, writes John Willman.

It expressed concern that about a third of motorway lanes would have to be closed at some time before 1998 in order to catch up on the backlog of maintenance work.

The Department of Transport was accused of having consistently underestimated the need for repairs as economic growth had increased traffic flows and loading faster than expected.

The report said delays caused by roadworks had become "an integral and unwelcome feature of the road network". The DoT said it "broadly agreed" with the report's recommendations.

British Rail faces abolition if Tories win next election

By Richard Tomkins, Transport Correspondent

A GOVERNMENT policy document to be published next month will pave the way for the run-down and possible abolition of British Rail (BR), the state-run network, within the five-year lifespan of the next parliament.

If the Conservatives win the next election, early privatisation will rapidly diminish BR's role as a train operator. Its operations will be sold or franchised out to the private sector, leaving it with little or nothing to do.

Up till now it had seemed likely that the difficulties of achieving a full privatisation would leave most or all of the corporation as a thriving public sector body into the indefinite future.

It has now become clear that ministers are determined to see all of BR's train services, including the loss-making ones; in the hands of the private sector on a much shorter timescale than had been previously envisaged.

The likely speed of BR's demise will delight backbenchers and users infuriated at the corporation's perceived inability to deliver passenger services of an acceptable quality.

But it will be a devastating blow to BR itself and to its chairman Sir Bob Reid, who has served barely a year of his five-year contract.

Sir Bob has argued strongly in private that if BR is to be privatised at all, it should be sold as a single unit. Instead, it is to be done on a piecemeal basis, leaving him presiding over a diminishing empire.

InterCity, which makes modest profits, will be sold outright to the private sector complete with tracks and trains. Railfreight, which does not own many tracks, will also go through an outright sale.

More complicated arrangements will be required for Network SouthEast and Regional Railways, the two subsidised sectors. Ownership of their tracks will be retained by the state, but the operation of the trains will be franchised out to whichever operator offers the highest bid or requires the lowest subsidy.

The policy document setting out the government's rail privatisation plans was originally due to have been published by the end of the year, but has been postponed into the new year by the distractions of the Maastricht summit.

As well as paving the way for the privatisation of BR's services, it will incorporate proposals for the deregulation of the railways so that any qualified train operator will have the right of access to Britain's railway tracks.

Analysis, Page 14

All change: the new-look Liverpool Street station, part of London's Broadgate complex

Broadgate escapes worst of recession

BROADGATE, the largest office development in the City of London, is opened officially today writes Vanessa Houlder. The £2bn office development by property companies Rosehaugh and Stanhope, in partnership with the British Rail Property Board, appears to have escaped the worst effects of the recession in the commercial property market, selling and letting many of the buildings in the 30 acre complex.

The developers expect Broadgate, which has a rental income of £100m, to become self-financing next year.

The recession, however, has been blamed by industry analysts for a drop in property values at the site. Values dropped 8 per cent in the year to June, and could continue to fall.

The City's concern is reflected in the sharp decline in the share prices of the developers. Stanhope has lost more than two-thirds of its market value this year, while Rosehaugh's market value is just a tenth of this year's high. Stanhope recently announced losses of £77m before tax for the year to end-June. When its partner Rosehaugh publishes its much-delayed results tomorrow, they may be considerably worse. The development of 14 buildings began in 1985 and now has 20,000 people working there, or one in 10 of City workers.

SURVEY

UK schools outclassed by Europe and Japan

By Andrew Adonis

BRITAIN'S schools perform badly at the pre-16 level by international comparision, and its vocational training is also comparatively poor, according to a report by the Council for Industry and Higher Education published yesterday.

Two-thirds of British workers lack vocational qualifications, compared to a quarter in Germany and one-third in Holland, according to the report, by Professor Alan Smithers and Dr Pamela Robinson of Manchester University's School of Education.

"There is no effective mainstream post-16 education for most of the school population," it claims, blaming poor school performance partly on the lack of adequate vocational training for school-leavers.

Surveying the science achievement of 14-year-olds in 23 countries - including Japan, Sweden and Korea - the report puts England in the bottom four, along with Singapore, Hong Kong and the United States. Hungary and Japan are rated highest.

The survey shows the performance of 18-year-olds to be comparatively good, but fewer than 20 per cent of the age-range are still in full-time education by that stage.

The report shows that the expansion of numbers in British higher education in the last decade has predominantly benefited the upper middle classes. Children from professional and managerial families are four times as likely to apply to university than those from working class backgrounds, says the report.

Although applications have risen from both groups in the past decade, that 4:1 ratio has been maintained. Almost 70 per cent of university entrants now come from professional or managerial families, up from 62 per cent in 1977.

The poor A-level performance of comprehensive schools is identified as a prime cause of the discrepancy. A-levels – the main post-16 exam sat by pupils in England and Wales – are the standard university entrance qualification.

MANAGEMENT: Marketing and Advertising

Supporting role for television sponsors

Gary Mead examines moves to tap a larger audience

Last Monday, the 13m viewers of Thames Television's travel programme "Wish You Were Here . . .?" could have spotted a subtle change to the programme's titles and end credits – a discreet blue logo "welcoming" them "on behalf of Barclaycard".

For £500,000, Barclays Bank has bought itself an association with one of Britain's biggest-audience TV programmes.

Yesterday, Mintel, the market research group, published its fifth annual report* on sponsorship in the UK. It suggests that Thames – the only British television company currently to run sponsored programmes – is at the forefront of an expanding area in the marketing industry.

Corporate sponsorship in 1991 will have reached £325m, the lion's share being in sporting events, with a total of £250m.

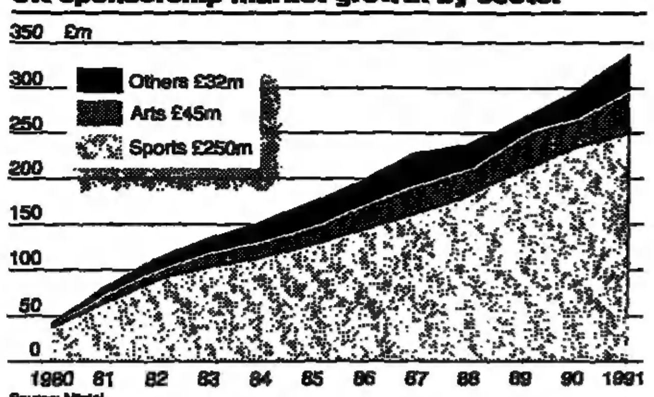
But the report argues that the areas where companies are "breaking new ground" are in broadcasting, education, social and environmental sponsorship.

In broadcasting, some £15m is being spent in 1991 – double the figure for last year.

The 1990 Broadcasting Act licenced the Independent Television Commission to open up programmes for sponsorship. Once the act came into force (in January 1991), the London advertising agency BMP DDB Needham used the opportunity to bring together Barclays – with its 8m credit card holders – and Thames.

Thames already has another programme running, Rumpole of the Bailey, a six-part series featuring a fictitious criminal barrister's life at the Bar, sponsored by Croft port (part of Grand Metropolitan group).

UK sponsorship market growth by sector



Source: Mintel

Despite the apparent limitations of the ITC code of practice regarding sponsorship, (no product placements or promotional references are allowed), Mike McManus, commercial director of Barclays card services, had no doubt of the brand-promotional value of the enterprise.

He believes that "Wish You Were Here . . .?", which has been running for 17 years and will have 26 weeks on air this season, is precisely the well-established type of programme which will get Barclays noticed and lend it a certain intangible kudos.

He is unperturbed by the fact that Thames recently lost its broadcasting franchise and will cease to broadcast in 13 months time.

With some 3m Barclaycard holders travelling abroad annually, Barclays feels that what it is getting in place of conventional brand advertising is a useful association with a quality programme.

Nor does the sponsorship begin and end with the appearance of the Barclaycard logo. When viewers of the travel programme write into Thames for details on the destinations featured by the programme, they will also receive details of Barclaycard.

Under the ITC rules governing sponsorship, Barclays has no editorial control over the programme's content – "they could say 'take American Express abroad because it's a good thing' if they wanted to, but we know what to expect from the programme," said McManus.

Thames is at the forefront of television sponsorship in Britain; out of a total 10 programmes put up by the ITV networks for sponsorship in 1991, Thames is the station to have attracted backers, though some electricity companies are currently sponsoring televised weather forecasts on the commercial network.

Bill Patterson, a senior market analyst with Mintel and editor of the latest sponsorship report, said that "while broadcasting sponsorship is still a tiny element of the whole area, it is one of the really dynamic ones. It can only grow and will grow fast."

The ITA, the association of independent television companies which form the British commercial television network, has already drawn up a list of 23 sponsorable programmes for 1992, more than twice the number on offer this year.

According to Patterson, "the argument for sponsorship as opposed to conventional spot advertising is that it can secure brand publicity when you want it and with what you want. On the other hand, companies considering sponsoring television programmes are still feeling their way.

"Moreover, when you look at the response of consumers, sponsorship of television programmes is one of the least acceptable forms of sponsorship for them. Unlike sponsorship of the arts, sports, or of a health or environmental event, consumers can see no obvious benefit in broadcast sponsorship."

Moreover, the tricky issue of what happens when a sponsored programme is repeated, or sold overseas, has yet to be resolved by the industry.

Sponsorship deals are currently individually negotiated, as in the Thames-Barclays deal.

Attempts by a television producer to remove a sponsorship logo from a programme before selling it overseas could run into trouble with the sponsor, who, understandably, believes that money paid into the programme's production budget entails a commitment from the station to keep the logo well to the forefront.

At the same time, sponsorship seems to please those who have dipped their toes into the water so far.

Powergen, the electricity supplier which currently sponsors weather forecasts, believes that it "has significantly boosted consumer recall of the company's name, and that it is attributable almost entirely to its sponsorship," said Patterson. The face of British commercial television is, subtly changing for ever.

*"Sponsorship 1991" is available from Mintel International, 18-19 Long Lane, London EC1A 9HE. Price £695;

Out with the old: car makers are now vying for a share of the new market

Green with envy

Andrew Fisher on selling cars in east Germany

Trabant and Wartburg motor cars, once the workhorses of eastern Europe, are reaching the end of the road. And as owners discard their once-coveted vehicles, all the big German and foreign car companies are fighting for a share of the new market. Demand for cars in east Germany is expected to reach 700,000 cars a year by the end of the century.

So far the company that has come out ahead is not Volkswagen, the German car giant, but Opel, the German subsidiary of General Motors of the US. Last year, Opel had 21 per cent of the east German new car market against 15 per cent for VW. This year, Opel has kept its lead.

Opel's managers put the success down to an attractive model range and a nimble marketing strategy. However, capacity constraints also played a role, with VW saying it could have sold more if it could have produced more.

Opel had some hard work to do at first. While initial soundings showed that east Germans' first priority was a western car, Opel's name was not too well-known. After finding out what east Germans wanted and what they thought of Opel, the company set to work. It realised that east Germans wanted facts and did not mind being bombarded with technical data. The first newspaper and magazine advertisements were heavy on text in a way that westerners would find off-putting.

"The east Germans were a bit frightened of being taken advantage of. They wanted brochures rather than ads", says Klaus Trapp, Opel's marketing director. What they really needed to know was how cars would perform, what their technical specifications were, and what they cost.

There was another vital concern – the environment. After 40 years of living with pollution, east Germans hankered for a cleaner world. Thus they wanted catalytic converters in their cars and were prepared to pay up to DM1,000 (£350) extra for these. Opel offered these on all new cars in east Germany from the start.

Opel ran the first ever commercial advertisement on east German television in April, 1990. It lasted a minute instead of the 30 seconds usual on west German TV. The theme was the environment, with Louis Armstrong's 'Wonderful World' played over gentle scenes of waterfalls and forests.

Building up an adequate dealer network also took time and money. Today, Opel has 360 dealers in east Germany. Each is investing an average of DM1m in staff, buildings, and equipment. Opel does not provide finance, but has helped in arranging the soft credits available for new investments.

The company began with only 38 dealers in March, 1990. From the start, it sought people with an entrepreneurial spirit who had previously struggled with small repair shops outside the state-owned IFA vehicle group.

Other marketing efforts included a special 160-page book for the east German market, with brightly illustrated explanations of the cars and their features. Around 1m were distributed through dealers. In the summer of 1990, Opel also took a convoy through east Germany, with an estimated 400,000 people coming to see the 60 cars on show.

As Trapp admits, demand has been so high that Opel and its rivals were welcomed with open arms by the east Germans. But as the initial buying wave ebbs, the market will become harder. Opel may have pulled ahead, but its rivals, German, French, Japanese, or otherwise, will be pushing hard to close the gap.

Dignity by catalogue for the disabled

John Thornhill looks at a company that sees enormous potential for mail order sales to the handicapped

There are about 4m people in the UK with some form of physical disability – ranging from defective eye-sight to total paralysis.

This is an enormous potential market, yet few companies aim to sell clothes designed to meet their needs.

Most high street retailers argue they would not sell sufficient volumes to make commercial sense while the handful of companies that do sell to the disabled tend to offer only a narrow range of unfashionable lines.

An exception is N Brown, the Manchester-based mail order company, which has found that good profits can be made from selling goods with the disabled people's market specifically in mind.

The company runs two catalogues – Special Collection and Comfortably Yours – which aim to offer the disabled a range of fashionable clothes and other goods. Sales are currently running at £6m a year.

Jim Martin, N Brown's managing director, says the company's approach to the market started from the premise: "Why should the disabled put up with garments which able-bodied people would immediately reject?"

The company became interested in the market following a study conducted by the Disabled Living Foundation, the King's Fund and the Royal College of Nursing, which aimed to make it easier for the 200,000 people in long-stay care in the National Health Service to wear their own clothes.

"Choosing one's own clothes is an act of individuality. Wearing them enhances personal dignity and autonomy," the working party suggested.

Working with these organisations, N Brown adapted clothes and products it sells through its wide range of catalogues to address the specific needs of the disabled.

For example, Velcro fastenings were attached to make skirts easier to do up. Roomy armholes and elasticated waists made dresses more comfortable.

The company also introduced several garments which were aimed at the more severely physically impaired – such as the wheelchair-bound who account for 1 per cent of the disabled population.

Brown started by selling direct to shoppers in long-stay NHS hospitals but found it a difficult market to enter.

"We are very good at selling at a distance. But it may have been that we did not possess the right face-to-face selling skills," says Martin.

TECHNOLOGY

Big prizes in small parcels

Midland Bank and Barclays Bank, two of the leading foreign exchange dealers in the London market, have developed personal-computer-based systems to make it easier for their corporate customers to trade small parcels of currency cheaply and safely.

Both systems are designed to solve the problem that, while every foreign exchange department is happy to trade in large amounts of currency, small deals – say $100,000 to $250,000 – are a source of irritation to both partners to the bargain. They tie up dealers' time and the customer believes the fee – typically £50 in back room costs – is out of proportion to the size of the deal.

Both banks believe that, [illegible] *designed primarily to* reduce [illegible] costs, the systems could help them to attract new corporate customers. Other banks, notably London branches of US operations, are also offering automated small deal systems. Midland's FX Direct, based on its existing in-house currency price distribution system "Superdoris", runs on a PC sited on a corporate dealer's desk.

It provides automatic access to Midland's FX quotes for some 30 currencies. Spot and forward deals up to a value of $2m can be struck; the system handles the processing of the deal and the despatch of the details to the back office.

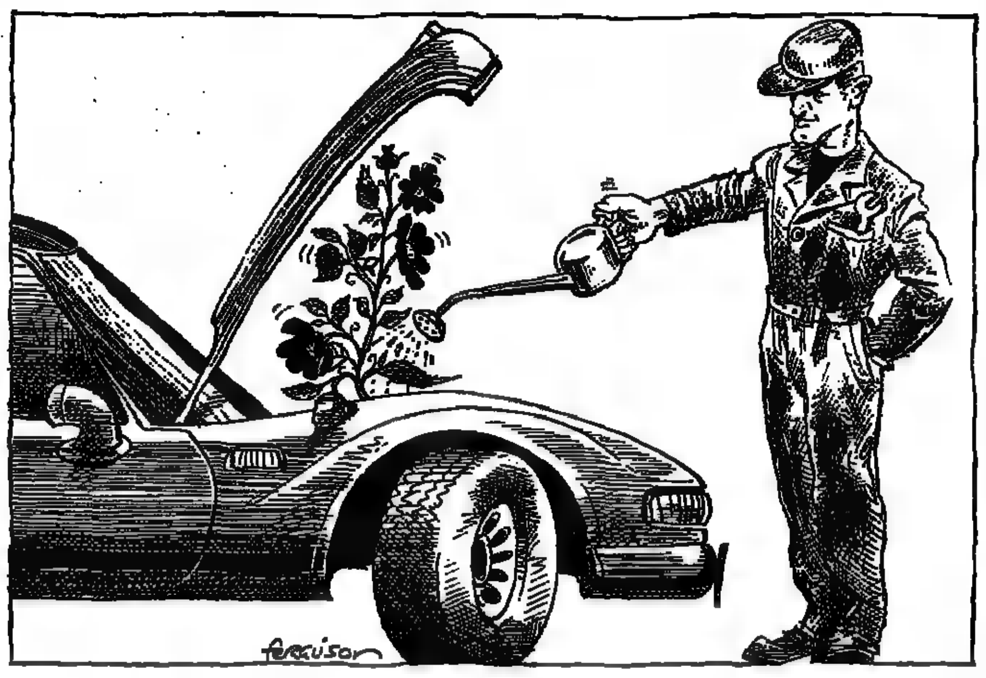
By comparison, Barclays' system, developed by Cognotec, a systems house specialising in the foreign exchange market, has a ceiling of £250,000 per trade. The quotes provided are based on Barclays' quotes in the interbank market, with a pre-determined margin added depending on the customer (the better the customer, the lower the mar[illegible]. The customer has one minute to decide whether to deal against the quote.

Both banks are providing the software free. FX-Direct customers will have [illegible] find [illegible] cost of a PC, modem and telecommunications. In the first year, the cost might be £8,500, and £2,000 a year thereafter.

Alan Cane
Richard Waters

Japanese car makers are under pressure to make cleaner, greener machines, writes **Steven Butler**

Driving too slow in the fast lane



Honda Motor, the Japanese car maker, won few friends in the automobile industry in July when it announced development of a cleaner, more efficient automobile engine.

The company suffered resentment not because it [illegible] the competition with [illegible] better product. Indeed Toyota has offered a similar lean-burn engine for 10 years [illegible] Europe, although few people were prepared to pay the extra cost.

But with its typical flair for publicity, *Honda managed to* capture attention and burnish its image as an environment-conscious company with [illegible] product many doubted was so important.

What really upset the competition was an impression they [illegible] Honda gave that the demands of environmentalists for radically cleaner and more efficient engines could be met. With US legislators considering new corporate average fuel efficiency standards for the industry, many believed the timing of Honda's announcement could not have been worse.

After a decade in which auto [illegible] been trying [illegible] sq[illegible] more performance [illegible] of their cars, while laying on more comfort and luxury, the Japanese car markers have been hit by an avalanche of environmental demands. The US is imposing ever stricter standards on fuel efficiency and emissions.

Meeting ever tougher environmental standards – and trying to influence the setting of those standards – has moved steadily higher up the agenda for Japanese automobile manufacturers. "Overall we have changed from a passive attitude to a more active attitude," says Masaaki Ohashi, senior managing director at Toyota.

It would be easy to dismiss this sort of statement as public relations. Yet there is no doubt Toyota and other makers are taking the global surge of environmental concern seriously if only because they stand to lose if their products cannot meet tighter standards.

Toyota is spending up to 30 per cent of its R&D budget on environment-related programmes, *which amounts to* roughly Y135bn (£590m) this year. Other companies are spending a similar amounts.

Toyota's only recent organisational response has been to *set up a recycling committee,* yet this committee takes its place next to a raft of other committee structures that have been [illegible] place [illegible].

Nissan, [illegible] Japanese maker, last year [illegible] a new environmen[illegible] safety department headed by a general [illegible] and [illegible] April [illegible] – Earth Day – [illegible] running corporate advertisements emphasising the company's environmental [illegible].

*Honda created a similar com*mittee reporting directly to the board to act as a kind of global switchboard, keeping tabs on changing environmental regulations in Honda's markets and co-ordinating the response.

Soichiro Irimajiri, executive vice president in charge of Honda's research operation, says: "The issue is becoming more and more complicated. *We need to simplify informa*[illegible] board [illegible] can [illegible] a [illegible] view."

As for the ire towards Honda from other carmakers, Irimajiri admits [illegible] timing of the [illegible] *of Honda's* lean-burn VTEC (valve timing and lift electronically controlled) engine was not ideal. Nevertheless, he is still unapologetic.

"We did not say that the VTEC engine will solve everything. The fact is that we had developed [illegible] product [illegible] were going to sell it," he says.

The engine works by burning a ratio of air to fuel that is close to 25, compared with the traditional engine air/fuel ratio of 15. *The result is more effi*cient and complete combustion which is inherently more difficult to sustain. Honda achieved stable combustion by a clever design of [illegible] cylinder, resulting *in improved fuel efficiency* of between 20 and 40 per cent, depending on driving conditions, with only [illegible] small loss of performance.

Yet lean burn produces more *oxides of nitrogen, which* [illegible] not [illegible] removed by traditional catalytic converters. As a result, Honda's engine is being installed only in smaller cars, with an engine size of 1,500 cc. *Even* [illegible] *engine cannot* meet California air standards. For California, the engine will burn a normal air/fuel ratio, with [illegible] loss [illegible] efficiency, [illegible] oxides of nitrogen.

Because [illegible] limitations, the [illegible] companies believed Honda has, perhaps unintentionally, created false hope [illegible] a solution [illegible] environmental problem was around [illegible] corner. Says Ohashi: "There [illegible] no fundamental technological break*through on the horizon.*"

While small improvements in engine efficiency may [illegible] possible, Ohashi [illegible] in [illegible] cars [illegible] have [illegible] and [illegible] CO_2 must [illegible] *smaller and lighter*, or [illegible] compromises on performance. Toyota's experimental efforts, such as gas turbine [illegible] multi-fuel cars, [illegible] not [illegible] commercial hopefuls.

Yasuhisa Tsuda, director of Nissan's technology planning department, agrees: "Lean burn is a special solution [illegible] a special car. A [illegible] leap [in fuel efficiency] from the current *level is very difficult* [illegible] *foresee.* There is [illegible]nly the summing [illegible] of small [illegible]."

For Nissan, [illegible] include trying [illegible] reduce mechanical friction by reducing piston rings from three [illegible] two, or attempting [illegible] lower rolling [illegible]. In total, Tsuda projects a 7 per cent increase in efficiency by the year [illegible]. Improvement, but not exactly a revolution.

Irimajiri, however, [illegible] to [illegible] discouraged. "We still [illegible] in the potential for the lean burn engine."

Honda, like the other makers, is working on a catalyst to remove [illegible] of nitrogen. It [illegible] also considering more exotic engine designs to burn air-fuel ratios [illegible] to 50. Emissions [illegible] of nitrogen [illegible] initially as the air-fuel ratio rises above 15, but then fall off sharply as [illegible] ratio approaches [illegible] knows [illegible] sustain combustion at this sort of ratio in a practical engine that could [illegible] an ordinary car.

As for the zero [illegible] vehicles mandated for Calif[illegible] by 1998 the outlook [illegible] dimmer, in spite of [illegible] huge amount [illegible] money being spent [illegible] has already produced impressive technological advances. Nissan, for example, has made much over the development of [illegible] battery-powered [illegible] known [illegible] Future Electric Vehicle, [illegible] FEV, which [illegible] a quick recharge [illegible] just 15 minutes. The performance [illegible] car looks close to some small petrol-powered [illegible] the market today.

"The FEV is proving good in field tests," says Tsuda. But he admits the cost of the battery is "unrealistically enormous". It will cost at least three times [illegible] price of a normal vehicle, [illegible] before [illegible] huge infrastructural cost of putting in a [illegible] high-voltage recharging stations.

[illegible] projects that a small electric car will have the performance of an Y800,000 mini[illegible] price-tag equivalent [illegible] its Y4m Legend, [illegible] luxury version of Honda's Accord model. Even if car makers [illegible] forced [illegible] for sale, who will buy [illegible]?

Toyota and [illegible] breakthroughs in prod[illegible] *as paints and plas*[illegible] will [illegible] the recyclable portions [illegible] without raising weight, and the three are rapidly phasing out CFCs in air conditioning units, [illegible] *and manufacturing pro*cesses.

[illegible] all, [illegible] amounts [illegible] and expensive [illegible] by [illegible] industry. Yet, in spite [illegible] reputation of Japanese [illegible] *nies for technical wizardry,* [illegible] Tsuda puts it, the companies still have little to offer but the summing up of small efforts.

Intelligent house opens its doors

By Paul Taylor

Bricks and mortar it [illegible] not – more like a poorly constructed stage set. Nevertheless the "Intelligent House" demonstrated [illegible] the Esprit [illegible] conference and exhibition in Brussels last week was an impressive display of the electronic wizardry which could become part of suburban homes of the late 1990s.

Esprit, the European Community's information technol[illegible] research programme, claimed the mock-up [illegible] a demonstration of "the first home system [illegible] integrate [illegible] functions [illegible] fully automated 'intelligent' house".

The system will allow home [illegible] link safety, comfort and entertainment throughout [illegible] house [illegible] control features via the television set, [illegible]puter, a remote control unit or [illegible] by making a telephone call home.

Among [illegible] of the system [illegible] energy [illegible] savings and conservation by managing [illegible] consumption [illegible] increased [illegible] comfort and security.

The companies backing [illegible] project [illegible] the system could [illegible] available within three [illegible] years and will cost [illegible] than a good [illegible] hi-fi system.

Earlier [illegible] Esprit pub[illegible] home systems specification designed [illegible] would [illegible] manufacturers [illegible] develop [illegible]patible products, [illegible] installers, home builders and occupants [illegible] compo[illegible] and install them.

The [illegible] refining [illegible] pro*moting* [illegible] *has* [illegible] been [illegible] by [illegible] industry-[illegible] European Home Systems Association whose members include those companies involved in [illegible] Esprit projects, [illegible] *Systems* [illegible] *Inte*grated Interactive Home.

The two projects have brought together BT (formerly British Telecom), Thorn-EMI and GEC of the UK, AEG/Daimler Benz [illegible] *of* Germany, ABB [illegible] Sweden, Philips [illegible] the Netherlands [illegible] the French company Thomson, [illegible].

[illegible] *exhibition* [illegible] system operates and comprised six specific applications:

- Load management. A typical [illegible] includes many different electrical appliances which [illegible] sometimes switched on at the same time placing a heavy burden on the [illegible] supply during peak demand periods like morning and evening mealtimes. [illegible] energy load management system switches [illegible] from device [illegible] according to pre-set priorities while keeping the load below a pre-determined limit.

In addition, the central heating system can be programmed with [illegible] tariff information [illegible] then switches automatically [illegible] fuel [illegible] any given time, typically electricity at night and [illegible] during the day.

- Lighting control. Individual lights [illegible] be controlled from [illegible] central [illegible] unit and programmed to turn on and off. [illegible] the house [illegible] empty a random programme can [illegible] activated, [illegible] security. A [illegible] control [illegible] switch [illegible] lights [illegible] the television is [illegible] leaves [illegible] room.
- [illegible] control. From [illegible] where in the [illegible] home [illegible] be [illegible] by dialling [illegible] home telephone, entering [illegible] identification [illegible] and using a voice [illegible] system [illegible] a [illegible]tion, for example programming [illegible] video recorder, turning [illegible] on, drawing [illegible] or switching [illegible] on by mistake.
- [illegible] visual distribution system. At the [illegible] of the integrated [illegible] system [illegible] simple and cheap audio [illegible] network linked by coaxial *cable.* [illegible] *distrib*[illegible] AV signals throughout [illegible] of quality [illegible] interference.

In addition, [illegible] infra-red [illegible] control signal [illegible] *through* [illegible] *network* [illegible] living [illegible] from [illegible] television in [illegible] bedroom.

- Security. [illegible] can [illegible] a visitor [illegible] front [illegible] *on* [illegible] *television* [illegible] in [illegible] lounge and if an intruder [illegible] phone [illegible] can [illegible] automatically routed [illegible] nearby security service.
- One final [illegible] *cameras,* [illegible] *record* [illegible] intruder on the [illegible] – a good [illegible] provided [illegible] does not steal the [illegible].

Bill Coleman, talented amateur photographer and investment banker with an environmental focus.

Bill Coleman believes the environment is a sound investment.

Bill Coleman [illegible] [illegible] an ecologist, he's a banker.

He looks at the world's growing preoccupation with environmental issues from [illegible] different perspective. One which has begun [illegible] influence the advice he gives investment clients [illegible] James Capel & Co. in London.

"There can be no doubt about the scale of opportunity for companies which [illegible] help bridge the [illegible] between the demand for energy and the realities of protecting our environment", says Coleman.

"We are seeing the emergence of a new business sector spanning [illegible] range of energy and environmentally-related technologies that is going [illegible] rank alongside such things [illegible] microelectronics, telecommunications and genetic technology in importance.

"Nature's energy resources are undervalued [illegible] in more ways than one."

Electrical engineering will be [illegible] key technology in the twenty-first century. The facts are simple. By the year 2000, the world's energy demands will have increased by 30%. There will be one billion new consumers whose needs must be met whilst the effects on our environment must be minimized.

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CINEMA

Hollywood dreams: diverting and diabolical

It was all a blur after Robert Mitchum. On day ten of my visit to Hollywood, fate propelled me a hundred miles up the coast to bougainvillaea-clad Montecito. Here over a frightful number of double Martinis, Old Sleepy Eyes regaled me about the golden days. Joe Sternberg, Otto Preminger, Howard H[illegible] Jane Russell's bosom, Marilyn Monroe's drama coach; and Sir David Lean defying waves and wind-machines in *Ryan's Daughter*....

Hypnotic stuff. I lost all sense of time, as Tinseltown had surely intended me to ever since I [illegible]ched down in LA. There is a hazy memory of two weeks spent making 400 phone calls and seeing 40-odd films. My telephone bill was incurred attempting to pin down the rich and famous; my pace-that-kills viewing schedule while logging up the the spate of new movies hitting pre-Christmas cinemas. At one point I dreamed I fell off the seventh-floor balcony of my Sunset Boulevard hotel room, only to be born aloft by a number of bygone film stars wearing wings.

Hollywood is a factory town where *the local product – dreams – spills out* and infects the air. It is easily confused with the town's other major commodity, [illegible] But the pervasiveness [illegible] dreams is more [illegible] and this Christmas they are the stuff that nearly all the films are made of. Light, diversionary dreams in *Beauty And The Beast*, *Fievel Goes West* and *Curly Sue*. Sleek, diabolical dreams in *Cape Fear*, *Billy Bathgate* and *The People Under The Stairs*.

Fitting climax, this, to an oneiric movie year. [illegible] and [illegible] afflicted with [illegible] been accosting us for months – in *Shattered*, *Dead Again*, *The Fisher King* – and [illegible] month the [illegible] eagerly awaited Yuletide film opens in the US: Spielberg's *Hook*, in which Robin Williams thinks he is Peter Pan to Dustin Hoffman's Captain Hook.

I failed to get even [illegible] sighting of *Hook*. TriStar Pictures, in an act of of corpo[illegible] discourtesy unparalleled in my career, refused to return my dozen-odd phone calls. They are now on my black list along [illegible] Hussein, the late Adolf [illegible] and [illegible] important public enemies past and present.

I did, however, see a true Christmas treat in Disney's *Beauty And The Beast*. This is the studio's best animated feature in decades. Set in a never-never rural France, it re-conjures the visual magic of *Snow White* and *Fantasia*: multi-layered forest perspectives, a bravura Gothic castle and the enchanting conceit of turning the castle's living furniture into the story's comic relief. Led by a Maurice Chevalier candelabra

Robert De Niro and Nick Nolte in 'Cape Fear'

and a pompously mercurial clock with dial-moustaches, these dance around the pretty heroine and the hero whose roars set your seat shaking.

The Spielberg-produced *An American Tail 2: Fievel Goes West* is a relative dullard. Reprising the lost-and-found plotline of *Tail 1* – this mouse seems unable to hold on to his parents – it rejoices chiefly in John Cleese's vocalising of the feline villain: one Cat R Waul, a sort of Basil Fawlty with whiskers.

Other Yuletide children's fare is heavy on the saccharine. John Hughes's *Curly Sue*, opening here on Boxing Day, is a poor-little-street-waif tale of surpassing ickiness from the writer of *Home Alone*. And *My Girl*, directed by Howard Zieff, wastes *Home Alone*'s boy prodigy Macaulay Culkin in [illegible] maudlin yarn about an undertaker's daughter learning to confront death. Not hers but best friend Culkin's. Dan Aykroyd plays widowered Dad, Jamie Lee Curtis is his girlfriend and the daughter's sympathetic surrogate Mum, and you are all but provided with kleenexes to sob into.

Grown-ups are best catered for by *Cape Fear*. Re-shuffling the 1962 thriller about an ex-convict terrorising the lawyer who sent him to jail, plus the lawyer's family, director Martin Scorsese sets Robert De Niro down on the card-table as the triumphant joker. This Max Cady, unlike Robert Mitchum's brooding thug in the original film, is a Southern-twanging japester with tattooed body, panama hat and [illegible] grin.

He upstages Nick Nolte and Jessica Lange as the troubled couple, though [illegible] almost matched by Juliette Lewis [illegible] pubescent daughter, slithery with half-awakened desire. Scorsese overdirects somewhat: the camera deliriums that [illegible] great Mafia Satyricon distract here from the straight-arrow [illegible] requirements. But it is bracing to see [illegible] movie imagination refuse to be nailed down to camera positions A, B and C, even when the story material [illegible] banal enough to request it.

[illegible] *Bathgate*, [illegible] hoodlum tale, disappoints. Director Robert Benton, who as screenwriter of *Bonnie And Clyde* set a brilliantly kaleidoscopic pattern for the modern gangster film, is over-reverent towards E.L. [illegible] novel about [illegible] leader Dutch Schultz. Lost amid the inert period fidelity, even Dustin Hoffman's performance as Schultz seems like [illegible] costume rehearsal in search of a character.

Finally, one from curio corner and two from curio cul-de-sac. Wes Craven's *The People Under The Stairs* is an amiable horror folly about spooks under the floorboards, with [illegible] shock moments when the filmgoer [illegible] six inches from his seat. *The Addams Family* is a less amiable horror spoof that, though minting early money in the US, will surely expire commercially as fast as its plot does imaginatively. And Steven Soderbergh's Prague-shot *Kafka* is [illegible] black-and-white *grand guignol* with a fictionalised Franz K (Jeremy Irons) coming up against ghoulies, ghosties and girlies (Theresa Russell as a sexy anarchist). Unfortunately the only thing going bump in the dark is the audience. Dropping their popcorn and personal effects, they attempt to find their newspaper listings to make sure it is *that* Soderbergh – he of *sex, lies and videotape* – who made this odd, undernourished blend of horror hokum and Euro-pretension. It is and he did.

Back in Britain it is a lightweight, not to sat flyweight, week. Two movies, two minor divertimenti. Pedro Almodovar's *Matador* (Metro, Electric, 18) [illegible] five-year-old slice of kitsch from the Spanish director of *Women On The Verge Of A Nervous Breakdown*. Two serial killers (Nacho Martinez and Assumpta Serna) meet and mate in a Madrid notable for the remarkable number of wacky characters still alive despite the hero and heroine's best efforts.

She wields [illegible] fatal hairpin; [illegible]ders when not masturbating in front of TV slasher films; they finally [illegible] a [illegible]-destruct consummation on a brightly-coloured outspread toreador [illegible]. Watching this essay in Hispanic hyperbole film is like eating a *taco*. Half of it slips deliciously into the mouth, the rest dribbles uncontrollably down your front thanks to the loose-fitting casing and the odd angles of presentation.

Hearts Of Darkness (Everyman, 15), written and directed by [illegible] Bahr, explores even deeper reaches of eccentricity. But who [illegible] this [illegible] feature on the making of Francis Coppola's *Apocalypse Now*, drawn from footage shot during filming by Coppo[illegible] Eleanor? Expanding budgets; exploding egos; and the indelible sight of Marlon $1m-a-day Brando arriving in the Philippines to play the "emaciated" Kurtz and weighing in at about 250 pounds.

Nigel Andrews

Edward Petherbridge and Susan Hampshire

Noël and Gertie

DUKE OF YORK'S THEATRE

[illegible] Coward and Gertrude Lawrence, [illegible] the icons of [illegible] theatre, will [illegible] be long absent from [illegible] London stage. Too [illegible] *structible* [illegible] written *for* [illegible] them [illegible] to [illegible] possible. And, though their legendary partnership only [illegible] brief vehicles (the [illegible] *Private Lives* and the [illegible] *Tonight* [illegible] *8.30*), [illegible] enough. Revivals, biographies, films, documentaries, musical anthologies and, recently, the Joan Collins industry all go on fanning an already lively flame.

Now Sheridan Morley's graceful [illegible] pair has been revived for [illegible] very stylish talents of Edward Petherbridge and Susan Hampshire. Petherbridge in particular is – well, not a tower *of strength*, [illegible] *thread*, apparently fragile but actually [illegible] strong [illegible] steel. He catches [illegible] clipped Coward [illegible] without exaggeration; [illegible] Coward's frog-prince [illegible] certain vowels (a special feat); but [illegible] intelligent and [illegible] attempt [illegible] complete Coward imitation. The [illegible] and refinement [illegible] central [illegible] his [illegible] Petherbridge, and [illegible] as [illegible] should be. He is not a strong singer, but his rhythm, diction, phrasing carry the songs [illegible] show.

I rub [illegible] eyes as I watch Susan Hampshire, because [illegible] already [illegible] accomplished televi[illegible] actress early in [illegible] childhood; and yet today her face, voice, figure [illegible] still [illegible] by time's furrows. [illegible] certainly an odd phase [illegible] to be concentrating on musi[illegible] – her singing voice [illegible] but weak, inclining to spread at the top and to go flat throughout – but [illegible] expertise [illegible] problems lightly. [illegible] troublesome. I was charmed by everything she [illegible] Gertie; and [illegible] the problem, especially in her speaking. She simply applies [illegible] much charm, [illegible] little spontaneity or [illegible].

Still, I [illegible] could exercise their talents [illegible] – how [illegible] *Laughter?* – [illegible] in [illegible] biographical [illegible] *Noël and* [illegible] *theatrically adept*; [illegible] nostalgia [illegible] sentimentality. [illegible] has [illegible] host of vintage Coward songs and, better, vintage [illegible]. But [illegible] real mastery lay in the overall construction of his plays, not in the famous Coward style and certainly not [illegible] an important [illegible] the [illegible] of [illegible] and [illegible] for [illegible] other. The [illegible] Gertie scenes here boil down to a series of variations on the same [illegible] pseudo-romance.

Alastair Macaulay

'Lucia di Lammermoor' and 'Marriage of Figaro'

GAIETY THEATRE, DUBLIN

This promises to have been a year of successes and failures on [illegible] grand operatic scale for Dublin [illegible] Cultural Capital [illegible] Europe. An ambitious plan [illegible] bring [illegible] of Sofia to the city in the autumn led to [illegible] losses, with debts of up to £700,000 being [illegible] in some quarters. The big crowd-pulling appearances by Domingo and Pavarotti are still to come.

What opera-goers in Dublin will want to know, however, is how far the exceptional activity [illegible] this year can be expected [illegible] through into the future. Dublin [illegible] a full-time opera-house and the resident company, DGOS Opera Ireland, has had an unhappy recent history. The [illegible] point was reached a couple of years ago when one season was cancelled altogether. But now the company is looking healthier again under its new Artistic Director, Elaine Padmore, who has shown her [illegible] Festival down the [illegible].

The task in Dublin is to produce a pair of operas on limited rehearsal time, without a permanent chorus or orchestra, and in a theatre which is putting its main effort into getting *Jack and the Beanstalk* on stage in time for Christmas. In the event both the operas in this [illegible] a mix[illegible] good [illegible] bad things, but with *Lucia di Lammermoor* it [illegible] that prevails.

The producer was Francesca Zambello, who scored a minor triumph with another Donizetti opera [illegible] year. With [illegible] Schwengl as

Valeria Masterson, Pamela Helen Stephen and Regina Nathan in 'Figaro'

her designer she has contrived a staging that makes much of little, just mists and a wind-swept tree to suggest the chill of the Scottish highlands and ominously blood-red curtains for the baronial hall. It was all extremely well lit by Michael Calf [illegible] of [illegible]ties, [illegible] until [illegible] final scene, when [illegible] supposedly [illegible] Lucia came tripping on for a last appearance.

In [illegible] role the 21-year-old Bulgarian [illegible] Alexandrina [illegible] turned in [illegible] pretty remarkable performance, [illegible] is not at all the technical automaton one might [illegible] at that [illegible] small and [illegible] for the coloratura. But she uses [illegible] an almost [illegible]ably touching Lucia, always introverted and by the end collapsing inside altogether as she [illegible] into insanity. Every [illegible] of the mad scene added something to the character.

Unfortunately the other [illegible] of the cast had their time [illegible] out just getting around the [illegible]. John [illegible] as Edgardo had problems with intonation, Jan Galla was [illegible] rough [illegible] and [illegible] Dolin an underpowered Enrico, although [illegible] does have [illegible] usefully compact. Adrian [illegible] Arturo was [illegible] projected [illegible] any [illegible] them. I enjoyed, however, [illegible] stylish conducting [illegible] Maurizio Di Robbio and that was not only because he was working with [illegible] than [illegible] RTE [illegible].

[illegible] was a worrying [illegible]ness of ensemble again in the other opera, *The Marriage of Figaro* (sung in English), and the conductor of that production, Jonathan Webb, also tended to impose himself on the music too insistently. But then this [illegible].

The producer and [illegible], John Lloyd Davies, had [illegible] the opera to around 1900 with arty geometric sets. But there was no serious attempt to put the choice of period usefully to work, save for when Cherubino sang "Voi che sapete" to the accompaniment of an old horn gramophone, which must make his little song one of the fastest to be recorded of all time. For the rest the production teetered on the edge of operetta, as though [illegible] was the progenitor of Gilbert and Sullivan.

It was left to the main singers, and Valerie Masterson above all, to keep the [illegible] heart of Mozart's comedy ticking. Though cautiously sung these days, her Countess is a penetrating study of a woman in middle age, still attractive enough to invite temptation and yet knowing inside that there is nothing to come but hurt and disillusion. Victor Ledbetter made a stern Count and Pamela Helen Stephen a nicely lanky Cherubino. Regina [illegible] as Susanna sang a poetic "Deh vieni". But next to Miss [illegible] living, breathing Countess, they [illegible] just going through [illegible].

Richard Fairman

Paul Taylor Company

SADLER'S WELLS

With the Paul Taylor Company back in London – at Sadler's Wells for the next ten days – [illegible] that movement, joyous or tormented but always vivid, will seize their imaginations. They know, too, that Taylor will ring the changes on two favoured themes, setting works that propose serenity and the most civilised *manners against night-haunted pieces* in which the sleeping beast awakens and stalks the dark. Just so in the first of the company's four programmes on Tuesday night, when *Airs* was followed by *Nightshade*.

Airs [illegible] know and love for its grace and sweeping [illegible] phrases, as [illegible] concerti [illegible] move through [illegible] buoyant and sweetly placed bodies [illegible] the cast, and every action speaks of respect, [illegible] and discreet joy. It [illegible] a difficult work to bring off successfully, and [illegible] were [illegible] on Tuesday night when [illegible] looked [illegible] by the beauty [illegible] *it all*. Their expressions, their movements, had a holier than thou air which [illegible] cloyingly ecstatic, like a door-step evangelist making a bid for an errant soul. What was fascinating, as always with Taylor's troupe, [illegible] one's [illegible]quaintance with [illegible] in which bulk – sheer physical weight [illegible] presence – is so essentially part of the dance-style. Strongly muscled, well-covered with flesh, these [illegible] [illegible] fluency and a lightness belied by their apparent heaviness of build.

The Taylorian contrast – Hyde to the earlier Jekyll – came with *Nightshade*, which is a grand and horrific piece of Victorian menace. A [illegible] stage. The glimmer of [illegible] lantern. A group of men and women who might have come from the most grotesque illustrations by Phiz to Dickens' bleakest pages. Bodies [illegible] in galvanic [illegible]t, lying drugged [illegible] dead, or [illegible] by convulsive [illegible] I thought of images from *Edwin Drood*, or "Tom all-alones" in *Bleak House*, or *Our Mutual Friend*. Late Skryabin is the score – the tenth piano sonata and *Vers la flamme* – and the [illegible] mania finds exact reflection in the disjointed, compulsive and convulsive *ronde infernale* of the four men and their women, mistresses and servants, with a child skipping through the scenes, destined, of course, to be the culminating [illegible] victim. Taylor drives the [illegible] unrelentingly along, without explanation, but generating a pungent, rancid atmosphere of unspeakable desires and shadowed terrors. Like [illegible] earlier Taylor pieces – *Churchyard* or *Runes* – [illegible] chills the blood. It is very fine, and very finely danced.

[illegible] from [illegible]. The closing piece of the evening was *Company B*, made this year as [illegible] nostalgic and not too sentimental view of [illegible] ballads. The [illegible] are the [illegible] hits of the 1940s – "Oh, Johnny", "Boogie-Woogie Bugle Boy", *et al* – and Taylor knows [illegible] this exercise in [illegible] archaeology must be given with that sheen of romanticism which [illegible] the [illegible] actualities [illegible] time service and separation. So men and women are clad in pale, clear colours; jitterbugging [illegible] never far away; and the dance manner is buoyant, show-offish, with [illegible] men of the [illegible] especially strong. It is, in the main, dance about superficial sentiments, which was war-time's [illegible] with things [illegible] terrifying. Taylor briefly hints [illegible] women's [illegible] and men's chances of death in action – but no more than did the popular [illegible] the period. [illegible] always with Taylor, the choreography is exactly judged to his music's ability to sustain emotional tensions. His dancers are [illegible] superb troupe, whom you should under no circumstances miss.

Clement Crisp

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

BARCELONA

Two [illegible] are being given [illegible] mark today's [illegible] anniversary [illegible] Palau [illegible] la [illegible] 1000), John Eliot Gardiner [illegible] English Baroque [illegible] and [illegible] Choir in [illegible] in [illegible] minor and [illegible] Requiem, [illegible] Bonney, Anne Sofie [illegible] Otter, Anthony Rolfe [illegible] and Alastair Miles. This concert [illegible] sold out, but [illegible] half [illegible] being [illegible] in several European countries. [illegible] Teatre del Liceu, Uwe Mund [illegible] Requiem with [illegible] Helen Donath, Marjana Lipovsek, Gösta Winbergh and Kurt Moll, and [illegible] Orchestra and Chorus of the [illegible] (412 1466)

BERLIN

Schauspielhaus [illegible] Flor conducts the Berlin Symphony Orchestra and Philharmonic Chorus [illegible] an [illegible]-Mozart programme. Sat. Sun, Mon: Gothart Stieruatorio (East Berlin 2272 261)

Deutsche Oper 19.30 Heinrich Hollreiser conducts Gunter Kramer's production of [illegible] Zauberflöte. Tomorrow: [illegible] by Bejart, [illegible] and Christopher [illegible] Sat: L'elisir d'amore. Sun: [illegible] and Gretel (West Berlin [illegible] 249)

Komische Oper [illegible] Rolf [illegible] Harry Kupfer's production of Die Zauberflöte, [illegible] tomorrow. [illegible] Sun: Tom Schilling's production [illegible] Cinderella (East Berlin 2292 555)

CHICAGO

[illegible] Hall [illegible] of [illegible] Boulez's four-week residency [illegible] Chicago Symphony Orchestra. *Tonight's* programme [illegible] Schoenberg's Pelléas et Mélisande, [illegible] Schoenberg Prelude and Fugue in E major and Berg's Violin [illegible] with Midori. [illegible] tomorrow [illegible] 13.30, [illegible] and next Tues. Sun [illegible] Boulez conducts [illegible] Chicago [illegible] Orchestra [illegible]

FLORENCE

Teatro Communale Tomorrow at 18.00, Witold Lutoslawski conducts the [illegible] Teatro Communale in a programme [illegible] his own music. Repeated [illegible] and next [illegible] Thurs (277 9236)

Piccolo Teatro Two chamber operas - Anton by Claudio Casini and Emilio Scogna, and La figlia del mago by Lorenzo Ferrero - [illegible] being performed tonight [illegible] 20.30. The production runs till Dec 17, with next performance on [illegible] at [illegible] (277 9236)

GLASGOW

Royal [illegible] **Hall** [illegible] James Judd [illegible] the Royal [illegible] in Elgar's First Wand [illegible] Youth Suite, [illegible] Eighth Symphony [illegible] Brahms' Violin Concerto, repeated on [illegible]. *Tomorrow:* [illegible] BBC [illegible] Symphony [illegible] in [illegible] premiere [illegible] Robin Orr's Sinfonietta Helvetica, with Karin Georgian [illegible] in Dvorak's [illegible] Concerto. Sun: Alexander [illegible] Dvorak's [illegible] World Symphony (041-227 5511)

LONDON

THEATRE

National [illegible]

● The [illegible] Edward Bond's comedy opens [illegible] Lyttelton [illegible] 12 (previews from tomorrow) in a production [illegible] by Sam [illegible]. Judi Dench plays [illegible] Rafi. This [illegible] the first major London revival since [illegible] play [illegible] premiered at [illegible] Royal Court in 1973. Designs are [illegible] Bob Crowley with lighting by Paul Pyant. The play [illegible] the bizarre chain of [illegible] violent storm during [illegible] a young man drowns. [illegible] in a small [illegible] town in 1907. The [illegible] introduces a rich array [illegible] eccentric characters who are all, in their individual ways, [illegible] by this tragedy (071-928 2252)

● The Little Clay Cart: Jatinder Verma and Ranjit [illegible] adaptation [illegible] eighth-century Sanskrit play opens in the Cottesloe tonight. This epic fable [illegible] romance and [illegible] - *unique* [illegible] surviving Sanskrit dramas in being entirely secular - [illegible] described as [illegible] finest examples [illegible] classical Indian theatre. The production features a [illegible] of [illegible] and Irish [illegible] and musicians (071-928 2252)

● For [illegible] information about all [illegible] End shows, phone Theatreline from anywhere in [illegible] UK: *Plays* [illegible] 430960 [illegible] 0836 430961 Thrillers 0836 430962

[illegible] **AND DANCE**

Covent [illegible] Hartmut Haenchen [illegible] the [illegible] night of Graham Vick's new production [illegible] Mozart's Mitridate, designed by Paul Brown. The [illegible] Jochen Kowalski, Ann Murray, Yvonne Kenny and Gillian [illegible]. Runs till [illegible] 19, with next performances on [illegible] and Wed (071-240 [illegible]

[illegible] Adam Fischer [illegible] Jones' new production of [illegible] Fledermaus, with a [illegible] led by Vivian Tierney, Donald Maxwell, [illegible] Folwell and Lesley [illegible]. Tomorrow [illegible] Wed: Un ballo in maschera. [illegible] and [illegible] Thurs: Le nozze di Figaro (071-836 3161)

Royal Festival Hall 18.00 Bernard Haitink, the Emerson Quartet and [illegible] London Philharmonic [illegible] part in a [illegible] chamber, choral and [illegible] music in celebration of [illegible] life [illegible]. Tomorrow in [illegible] Elizabeth Hall: Ivan Fischer [illegible] the Orchestra [illegible] the [illegible] of Enlightenment and [illegible] in [illegible] performance of [illegible] Sun: Sinopoli [illegible] Tchaikovsky (071-928 8800)

Barbican 19.45 Jeffrey [illegible] conducts the English Chamber *Orchestra* [illegible] *Tallis Chamber* Choir in Mozart's Clarinet [illegible] Thea King and the Requiem. Tomorrow: Jacques Loussier plays Bach. Sat: City [illegible] London Sinfonia plays [illegible]. Sun: Igor Oistrakh plays [illegible] Concerto (071-638 8891)

[illegible] Wells 19.30 Paul Taylor [illegible] Company. Daily except Sun and [illegible] till [illegible] 14 (071-278 8916)

NEW YORK

Avery [illegible] **Hall** [illegible] Erich Leinsdorf [illegible] the [illegible] York Philharmonic Orchestra in [illegible] all-Mozart programme, including [illegible] Piano Concerto No 27 with Alicia [illegible] Larrocha and [illegible] Requiem. Repeated tomorrow, [illegible] Tues (875 [illegible]

Carnegie Hall [illegible] Neville Marriner [illegible] the Academy [illegible] *Martin in* [illegible] *Fields in* [illegible] Requiem [illegible] Vesperae [illegible] Confessore. Tomorrow and [illegible] Kremer and the Deutsche Kammerphilharmonie. Sun: Christmas concert with Kathleen Battle, Frederica von Stade, Wynton [illegible] and André Previn (247 [illegible]

Metropolitan Opera 20.00 [illegible] Levine [illegible] Die Entführung [illegible] dem Serail, with [illegible] led by Mariella Devia and Matti Salminen. Tomorrow: *La traviata* with Cheryl [illegible] (362 6000)

[illegible] **York State Theater** [illegible] Balanchine's City Ballet production [illegible] The Nutcracker. Repeated tomorrow, with afternoon and evening performances on [illegible] and Sun (870 5570)

PARIS

Opéra Bastille [illegible] Friedemann *Layer conducts Bob Wilson's* production of Die Zauberflöte, with a [illegible] led by Hans Sotin, Hans-Peter Blochwitz and Cynthia Haymon. This production runs until Jan 14, with next performances on [illegible] Mon. Tomorrow at 20.30: Ravel Quartet plays [illegible] string quartets (4001 1616)

Châtelet [illegible] Janowski conducts the [illegible] *Philharmonique de* [illegible] *France* in the [illegible] premiere of [illegible] Un sourire, plus Reger's Variations and Fugue on a Theme of [illegible] and [illegible] Piano Concerto No [illegible] with [illegible] Zacharias. In the Auditorium [illegible] 19.00: Tokyo Quartet plays Mozart string quartets. Tomorrow, [illegible] Sun: [illegible] Story [illegible]

VIENNA

Staatsoper 19.00 Donald Runnicles conducts Don Giovanni with [illegible] led by Ferruccio Furlanetto, [illegible] van der Walt and Tina Kiberg, [illegible] Sun. Tomorrow [illegible] Tues: Katya Kabanova with Nancy [illegible] Leonie Rysanek. [illegible] Dalila. Mon: Der [illegible] (51444 [illegible]

Volksoper [illegible] Zauberflöte, [illegible] Sun. Tomorrow: Kalman's operetta Die Zirkusprinzessin. [illegible] *Der Vogelhändler (51444 3318)*

Musikverein [illegible] Harnoncourt conducts the Chamber Orchestra [illegible] Europe in [illegible] last three symphonies, repeated tomorrow (505 [illegible]

Konzerthaus 19.30 Sandor Vegh conducts the Camerata Academica in a Mozart programme, including the Adagio and Fugue K546 and Piano Concerto No 24, with Alexander Lonquich. Tomorrow: *Rafael Frühbeck* [illegible] *Burgos* conducts the Vienna Symphony Orchestra in a Mozart programme. [illegible] Pinchas Steinberg conducts a concert performance of Prokofiev's The Fiery Angel, with Linda Roark-Strummer and Jorma Hynninen (7124 6860)

European Cable and Satellite Business TV

(all [illegible] CET)

MONDAY [illegible] **FRIDAY**

CNN

0730-0800 Moneyline

[illegible] Business Morning

[illegible] Day

2000-2030 World [illegible] Today – a joint FT/CNN production [illegible] Grant Perry and Colin Chapman

2300-2330 World [illegible]ness Today

0100-0130 Moneyline

Super [illegible]

0600-0620 [illegible] (Tues) [illegible] Europe [illegible] – weekly indepth analysis from FTTV

2130-[illegible] (Wed) FT Business Weekly - global business [illegible] with James Bellini

2130-2200 (Thurs) Talking [illegible] - International [illegible]

Sky News

1200 International [illegible] Report

1130, 1730, 2130, 0430, 0530 (Thurs) FT [illegible]

SATURDAY

CNN

0730-0800 Moneyline

0900-0930 World Business This Week - a joint FT/CNN production

1540-1610 Moneyweek

1900-1930 World [illegible] This [illegible]

SUNDAY

Super [illegible]

[illegible] FT [illegible] *Weekly*

Sky [illegible]

[illegible] 1630, 2030, [illegible] 0230 FT [illegible] Weekly

CNN

[illegible] World Business [illegible] Week

FINANCIAL TIMES
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Thursday December 5 1991

Mr Maxwell's legacy

ROBERT Maxwell spent considerable time in the latter part of his life contesting the judgment [illegible] a Board of Trade inquiry that he [illegible] unfit for the stewardship of a public company.

The final verdict on Mr Maxwell's career is yet to come. But it is already clear that that judgment was entirely correct. He was not fit to handle other people's money. Yet in the closing months of his life, two decades after that damning verdict, Mr Maxwell was director, guiding force and sole arbiter of the affairs of two substantial public companies.

Maxwell Communication Corporation [illegible] big enough to qualify for the FT-SE [illegible] of [illegible] UK's most important [illegible]panies. Mirror Group Newspapers had only recently been offered for [illegible] who included many readers of the company's newspapers. Its pensioners' interests have been prejudiced by the disappearance of pension fund assets. And its principal title, the Daily Mirror, is a newspaper that plays a significant part in British political life.

Mr Maxwell's failings as a [illegible] director were not an esoteric [illegible] corporate governance: they [illegible] direct importance [illegible] large number [illegible] ordinary people. [illegible] it [illegible] he [illegible] play such [illegible] role, [illegible] many years, with such apparently [illegible]gard [illegible] the normal standards [illegible] probity? [illegible] could [illegible] of [illegible] leading banks [illegible] so much money [illegible] him and his companies? [illegible] could he recruit City [illegible] In short, how did Mr Maxwell [illegible] away with [illegible] much [illegible] long?

The [illegible] in three closely entwined [illegible] UK corporate scene: [illegible] lack of transparency [illegible] ownership [illegible] to [illegible] who choose to [illegible] advantage of it; the relaxed nature [illegible] pension fund regulation; and endemic weaknesses [illegible] the modern system of corporate [illegible]

Transparency question

Start with the question of transparency. [illegible] – like Mr [illegible] Hasan [illegible] BCCI octopus, Mr Asil [illegible] Polly Peck [illegible] and Mr Larry Goodman's nexus of Irish food businesses, to name just three [illegible] spectacular recent [illegible] – was an elaborately constructed mesh [illegible] companies, some more visible than others. In his [illegible]ing [illegible] as if to taunt UK standards of disclosure, Mr Maxwell moved the ultimate control [illegible] his empire from Liechtenstein [illegible] Gibraltar, a colony which [illegible] in practice [illegible] not in principle, amenable to influence from Whitehall. It [illegible] accept [illegible] role for anonymity in financial affairs, if only in order to [illegible] pref[illegible] of [illegible] But [illegible] little [illegible] for extending it the protection [illegible] the British crown.

Wholesale review

The second [illegible] of [illegible] is [illegible] assumption [illegible] UK pension funds are run [illegible] honest people, who need to be pro[illegible] against the [illegible] of gullibility [illegible] error, but [illegible] not [illegible] to be scrutinised against the possibility of outright fraud. Under current law, the security of the pension fund assets is not guarded sufficiently; and the disposition of those assets is not checked sufficiently rigorously or often. The Maxwell affair [illegible] for [illegible] review of [illegible] law; it [illegible] long overdue.

The [illegible] UK corporate governance [illegible] known. Non-executive directors too [illegible] fail to [illegible] sufficient control over [illegible] strong-willed chairman: Mr Maxwell's character tested that thesis to extremes. More generally, [illegible] looser regulatory regime of recent [illegible] – designed to give greater scope for financial entrepreneurship – requires more vigorous investigators [illegible] Department of Trade and Industry and the [illegible] Fraud [illegible].

It also requires [illegible] degree of scepticism on [illegible] part of financial institutions [illegible] often lacking in the 1980s. Bankers and City advisers appear to have extended Mr Maxwell too much credit – in both the literal and metaphorical sense of the word – for far too long. [illegible]tors deserted him well [illegible] the final act; distinguished City names should surely have displayed no less sense [illegible] self-preser[illegible]

That handbag goes south

THE COMMUNITY shall [illegible] as [illegible] task ... the promotion throughout [illegible] Community, of ... economic and social cohesion and solidarity [illegible] member states." Thus [illegible] European Community's [illegible] treaty on political union [illegible] one [illegible] main objectives. [illegible] "cohesion [illegible] solidarity" mean? They [illegible] a great deal [illegible] it.

The EC's budget will, in any [illegible], have [illegible] be [illegible] in [illegible] precedes the [illegible] five-[illegible] planning period. Although [illegible] review will culminate under the British presidency in [illegible] half [illegible] particular future [illegible] Spanish government [illegible] warned [illegible] might [illegible] treaties [illegible] be discussed [illegible] Maastricht if they [illegible] not [illegible] a legally binding commitment [illegible] correct the way [illegible] EC's [illegible] managed.

[illegible] Mrs Thatcher's budgetary [illegible] is now [illegible] wielded by Mr Felipe González. The Spanish government [illegible] that Spain was in 1989 and will be again by 1993 [illegible] contrib[illegible] the budget, [illegible] though its gross national prod[illegible] head [illegible] 78 per cent [illegible] the EC [illegible] Meanwhile, Denmark and [illegible] Netherlands, [illegible] richest member states, are [illegible] recipients of budgetary transfers.

The principal [illegible] for the anomaly lies [illegible] the expenditure side, with the policy the world loves, that for agriculture. In the draft budget for 1992, spending on the common agricultural policy still absorbs slightly more than half of total EC spending. Since the CAP is focused on northern commodities, it helps most the countries [illegible] are important exporters [illegible] such commodities.

Four sources

The problem [illegible] not, however, lie solely with EC [illegible]ditures. [illegible] revenue, [illegible] be 1.2 per [illegible] EC gross domestic product [illegible] year, [illegible] four [illegible] agri[illegible] (expected [illegible] around 4 [illegible] of total [illegible]nue in 1991), customs duties (22 per cent), VAT [illegible] per [illegible] a [illegible] related to [illegible] of EC GDP [illegible] per cent). None [illegible] three [illegible] closely [illegible]

Spain demands [illegible] budget [illegible] financed by progressive [illegible] something still more radical. Net [illegible] need [illegible] be progressive. With [illegible] budget of roughly the current size, that would require changes not only in the patterns of revenue, but also in spending, with sharp [illegible] in – and total recasting [illegible] – the CAP. The [illegible] is, indeed, [illegible] be recast, probably on the lines proposed by [illegible] agricultural commissioner, Mr [illegible] reform would not [illegible] swift [illegible] in the [illegible] in farm spending.

Progressive funding

The only way [illegible] EC budget can be made more equitable is [illegible] it both [illegible] substantially larger and to be funded in a more progressive manner. [illegible] Commission [illegible] has [illegible] a budget [illegible] per [illegible] EC GDP, [illegible] ceiling [illegible] 1.4 per [illegible] The [illegible]posed [illegible] fuel tax, which might [illegible] than Ecu 50bn (£37bn), [illegible] source [illegible] would [illegible] progressively with member [illegible] income [illegible]

The case for [illegible] larger budget [illegible] stronger even than this. If the EC is committed [illegible] narrowing gaps in incomes per [illegible] member states, if it [illegible] help ease the pain [illegible] inflationary convergence [illegible] budgetary consolidation in the countries of the south, if it recognises [illegible] obligation to finance [illegible] imposed by [illegible] social [illegible] if it [illegible] to help poorer [illegible] EC environmental [illegible] participate in "trans-European networks", it will have to offer more money. Since, in addition, [illegible] responsibility for [illegible] the [illegible] Union and eastern Europe, [illegible] larger budget [illegible] an inescapable necessity.

Mr Helmut Kohl was the principal victim [illegible] Mrs Thatcher's budgetary handbaggings. But [illegible] merely [illegible] her money back. Mr González [illegible] more money. Mr Kohl must know that Spain has a good case, just as he [illegible] German [illegible] bank [illegible] been emptied by [illegible] Germany. [illegible] is himself the main source [illegible] on political union, Mr Kohl is [illegible] by his own petard.

It is the end of an era for British Rail. Some 43 [illegible] since its founda[illegible] were laid with the nationalisation of the loss-making private railway companies in [illegible] its role as a train operator [illegible] coming [illegible] an end.

If the Conservatives [illegible] general [illegible] nationalisation will [illegible] reversed. [illegible] part of the railway will be untouched by privatisation. If BR has any function at all by the end of [illegible] five-year parliament, it will mainly be that of [illegible] residuary body looking after tracks and the remaining property assets.

This [illegible] the essence [illegible] the government's plans [illegible] privatising BR. Last details will [illegible] to await publication of the white paper next month, but there are now [illegible] left: the shape [illegible] clearly [illegible]

Finding [illegible] workable [illegible]ethod [illegible] privatising BR has not proved [illegible] The intractable question with which successive transport secretaries [illegible] wrestled [illegible] given the [illegible] BR's [illegible] who on earth would [illegible] buy [illegible]

Unlike other privatised utili[illegible] such electricity, [illegible] and gas, BR has little or no hope of [illegible] turning in [illegible] profit [illegible] of [illegible] obligation to run loss-making [illegible] for social or political [illegible]

In the year [illegible] March [illegible] for example, the downturn in [illegible] and property profits [illegible] in [illegible] doubling of the previous year's [illegible] to [illegible] even after [illegible] 20 per cent [illegible] in government subsidies [illegible] £601.5m.

Not all [illegible] operations [illegible] however. InterCity [illegible] operating profits [illegible] interest [illegible] year in spite of [illegible] of recession, and [illegible] usually-profitable Railfreight division dipped into [illegible] £54m.

The [illegible] most troublesome [illegible] two which rely on government [illegible] Network SouthEast, [illegible] London commuter operation, which lost [illegible] government grants, and Regional Railways, [illegible] provincial train operation, which [illegible] £503m [illegible] grants.

Neither [illegible] attractive commercial future. Network SouthEast could become profitable by exploiting [illegible] near-monopoly for commuter transport and raising fares by 50 per cent, but the government will not allow [illegible] for political [illegible] Regional Railways, [illegible] with [illegible] obligation to run [illegible] network of loss-making services that have [illegible] socially necessary, will probably [illegible] make money.

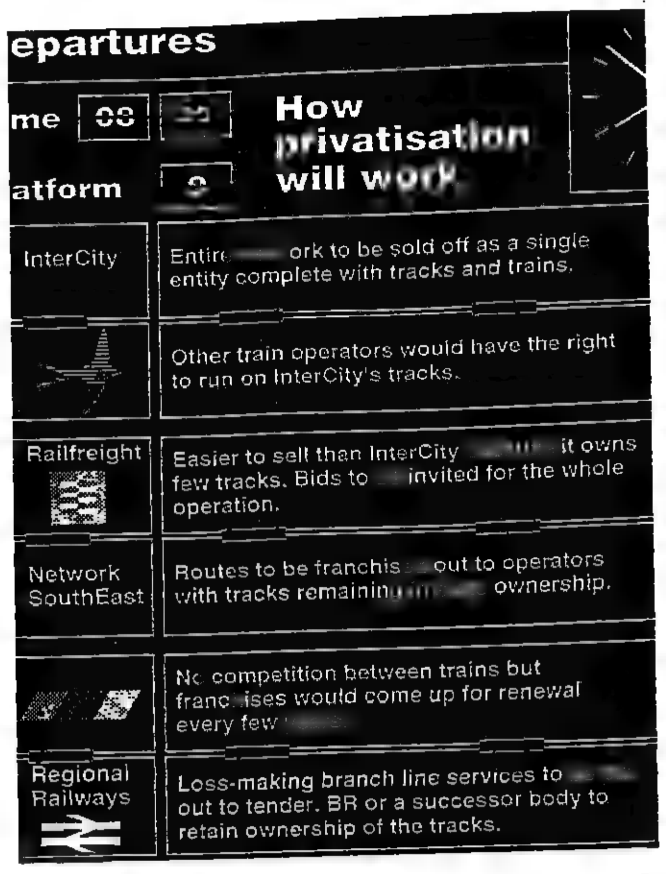
Faced with this hopelessly unprofitable outlook, the government has [illegible] the [illegible]sibility of selling off BR [illegible] Ministers console th[illegible] with the thought that an outright sale [illegible] have done [illegible] more than transform a public monopoly into a private one.

Any [illegible] bly [illegible] a break-up. [illegible] suggestion was reverting [illegible] the structure [illegible] the pre-nationalis[illegible] regional companies – the Great [illegible] the [illegible] & North [illegible] the London Midland [illegible] Scottish and [illegible] Southern – but this [illegible] rejected [illegible] would [illegible] created four loss-making companies in the place [illegible]

A stronger candidate among the break-up options [illegible] notion [illegible] separating ownership of the [illegible] from ownership of the [illegible] – the virtue [illegible] this approach [illegible] it would increase competition by creating [illegible] playing field for would-be train operators.

Richard Tomkins on the government's plan to privatise British Rail

The end of the line



Mr Malcolm Rifkind, the transport secretary, has consistently opposed [illegible] of a national track authority, but he has now been forced to concede the principle in parts of his privatisation plan.

In part he is making a virtue of necessity. In opposing separation of tracks from trains, he had argued that 45 [illegible] running [illegible] train [illegible]vice [illegible] attributable to infrastructure, [illegible] train operators would not accept the loss of control [illegible] a high proportion of their [illegible] this can be argued the [illegible] way too: for if 45 per cent of a train operator's costs can be stripped away and paid by somebody [illegible] it [illegible] much easier [illegible] find people [illegible] operate [illegible] which [illegible] money.

In the end, [illegible] privatisation has [illegible] a hodge-podge, with [illegible] being pursued [illegible] of [illegible] railway. But ministers believe [illegible] will be [illegible] most, if not all, BR's train operating functions will [illegible] been transferred to [illegible] private sector by the end [illegible] the next parliament.

The bill paving [illegible] way [illegible] privatisation will [illegible] early in the next parliament. It will contain two main thrusts: one, aimed at deregulating Britain's railways, and the other at privatising them.

Deregulation means the ending of BR's statutory monopoly over train operations. At present, other trains only operate on BR's tracks with its permission. In future, they will have the automatic right – though the cost of acquiring a train makes it unlikely that there will be a rush of new entrants other than on freight services, where there is believed to be considerable suppressed demand.

Deregulation also means setting up an official regulatory authority (a sort of "Ofrail" along the lines of Oftel, Ofgas and the other regulators of privatised utilities) to ensure that new entrants to the industry are charged fair prices for the use of BR's tracks and to prevent BR from shunting competitors' trains into sidings while its own fly past.

The second phase is privatisation itself – not through a ritzy stock market flotation of BR itself, but through a piecemeal sale or franchising-out of its train services. This is how it will work:

- Intercity is seen as a prime candidate [illegible] outright sale. Even under [illegible] stewardship it makes money. [illegible] network including [illegible] and trains will be offered for sale.

One discouragement to potential buyers is that other operators will have right of access to InterCity's tracks. However, they will be a source of revenue to InterCity; and in any event, InterCity's bigger rivals are cars and planes.

- Railfreight could be sold even earlier than InterCity. The private sector believes it has massive potential and only does badly now because of management failings.

Railfreight has few tracks of its own so it will be heavily reliant on Ofrail to see that it is treated fairly. One drawback for buyers: other would-be railfreight operators are queueing up to enter the business. Competition could be hot.

- Network SouthEast cannot be sold in the foreseeable future because it does not make profits. Instead the state will own the tracks and franchise out train operations to the private sector. Services will be offered as routes: the London Tilbury & Southend line would be one franchise, the London Brighton and South Coast line another, the Great Northern a third.

Franchisees will have to pay for the use of the tracks, but the charge will reflect any subsidies to which they are entitled for keeping fares down. The franchises will be exclusive, so there will be no competition between trains: but franchises will come up for renewal every few years, when bidders will compete on price and quality.

- Regional Railways cannot be sold outright because it is so heavily reliant on subsidies. But in much the same way as Network SouthEast, [illegible] tracks will be owned by the government and private sector companies will be invited to tender for five-year contracts to operate services. The winner will be the one requiring the lowest subsidy.

This system is already well tried in the bus industry. Indeed, bus operators are expected to be among the the prime contenders for the contracts. They will not face competition once the contract is awarded; it would not make sense to compete with a heavily-subsidised operator.

Reactions to the government's plans are likely to range from glee to outrage. Between the two extremes will be those reserving judgment until it is satisfactorily explained who will be responsible for safety, whether fares will [illegible] up, and [illegible] the long-term implications [illegible] for line closures.

[illegible] an operational level, too the questions will be myriad. How will an efficient level of subsidy be determined for loss-making services? If a privately-operated train breaks down and blocks the way of other owners' trains, will the other owners be entitled to compensation? How will competing train operators resolve battles over rights to train paths?

The biggest loser will undoubtedly be BR. Sir Bob Reid, the corporation's chairman, can only look with envy on his counterparts in other utilities who have sailed into the private sector with their empires intact.

Biggest gainers, the government hopes, will be rail-using voters, who may combine delight at the demise of one of Britain's most heavily-criticised institutions with hope that [illegible] follows will [illegible]

Life after Dunkel

■ With the Uruguay Round working towards a nail-biting climax, the international trade community [illegible] time to ponder the [illegible] of the likely successor to Swiss civil servant Arthur Dunkel, the head of Gatt.

One name that springs to mind is that of Lars Anell, Sweden's ambassador to the world trade body. But Scandinavian officials, normally so useful for their neutrality, may [illegible] excluded now that [illegible] countries [illegible] queueing up to apply for membership [illegible] the European Community.

In [illegible] case it is not [illegible] what [illegible] Dunkel will leave behind. A successful outcome to the Uruguay Round would call for a successor with the international political clout to enhance the stature of the organisation. Such a candidate might be Mexican President Carlos Salinas, whose country has turned out to be a conscientious Gatt member.

But his term of office lasts till 1994, well after Dunkel's departure. The post will be a particularly unattractive backwater if the Round is a failure. Perhaps it should then go to an EC figure after all, like Ray MacSharry, EC Farm Commissioner, who would deserve to do penance for his part in undermining the world trading system.

OBSERVER

Oiling the waters

■ John Wakeham, Britain's energy secretary, promises me that [illegible] no [illegible] significance in the [illegible] was opening [illegible] posh London headquarters [illegible] Norway's Kvaerner conglomerate yesterday. However, some may disagree.

After all, Kvaerner [illegible] known as the owner of [illegible] of Britain's [illegible] merchant shipbuilders (Govan), so it might [illegible] been more diplomatic [illegible] ask Britain's [illegible] do [illegible] honours. Why [illegible] the energy secretary? Could it have anything to do with Kvaerner's eagerness to take a bigger share of the UK offshore contracting business, now that Wakeham has ordered his Offshore Supplies Office to stop protecting the UK offshore contractors?

Wakeham says that the recent decision for the OSO to drop its detailed monitoring of orders was to head off pressure from Brussels rather than encourage the Norwegians. Even so some believe that he could have used the occasion to sound a bit tougher on [illegible]wegian protection of its own offshore waters.

Ins and outs

■ Hannelore Rönsch, the German family minister, had the name plate on her [illegible] door changed last week. With the turn of [illegible] screwdriver she set off a chain reaction designed to confound male chauvinists and confuse everyone else.

The old plate, which read "Minister für Familie und Senioren" has been de-gendered and now says "Ministerium...". The minister thereby becomes a ministry, if you are still with me. Rönsch, however, will still be known as the Familien ministerin (-in is the feminine suffix), in case anyone might think Hannelore is a man's name. The building ministerin, Irmgard Schwaetzer, says she is going to do the same.

Nevertheless, it still seems there is some dispute in cabinet about whether such tinker[illegible] with official [illegible] and government property are permissible. [illegible] Funk, [illegible] (oh, dear) in the jus[illegible] ministry, has welcomed the proposals [illegible] disengender official language [illegible] far as possible. But [illegible] had [illegible] draw the line [illegible] hyphens or obliques in cases like Kaüfer-innen (customers) [illegible] no handy neutral alternative.

Such [illegible] he [illegible] of a smile, would [illegible] with the lucidity [illegible] legal language.

"It's a photograph of my gold watch"

Fair game

■ Can [illegible] Atkins take [illegible] hint? There has been much grumbling [illegible] colleagues [illegible] the sports minister's lacklustre performance [illegible] his appointment [illegible] But Atkins, one [illegible] the [illegible] members [illegible] the government, never [illegible] to remind critics that he [illegible] a long-time personal friend [illegible] the prime minister.

Now Conservative [illegible] Office has taken its revenge. [illegible] first question in its Christmas Quiz: Who is the [illegible] Minister?

Flack for flack

■ When EBRD president Jacques Attali [illegible] the [illegible] today, Graham Watson, his [illegible] press [illegible] will not be at his side. Watson, who used to run Sir David Steel's private office when he was leader of the Liberal party, has jumped ship after only four months in the job.

The comings and goings of pr flacks is not normally worthy of attention, but in Watson's case it could say something about Attali's management style. By all accounts Watson, an expert linguist, was doing a good job overcoming the media's initial scepticism about the bank. His abrupt departure confirms the general City suspicion that working with Attali was never going to be easy. It will be interesting to see where Watson's replacement comes from.

Inflationary

■ The mystery of why Brazilian shops sell a pound of best filet mignon for the same price as a packet of butter, or a hairbrush for the same as a small sofa is at last resolved.

A survey by KPMG Peat Marwick Dreyfus has finally revealed the secret of how Brazilian manufacturers decide on their prices. It seems that the most important factor for 80 per cent of companies is government measures. The actual cost of production comes way down the list with little more than a quarter of companies surveyed considering this to have any relevance to their calculations.

The Brazilian Banking Association has a simple explanation for this apparently irrational behaviour. Its latest report shows that in the past decade Brazil has suffered eight stabilisation plans, 15 wage policies, 54 attempts at imposing price controls, 18 exchange rate policies and 11 changes in the way the government measures inflation.

Clean deck

■ Seen on the side of a plumber's van in New Orleans:

[illegible] straight flush is better than a full house.

BOOK REVIEW

Courting disaster

"If a king declares that day has turned to night
Be sure to marvel at the moon's bright light"
Sa'adi

THE SHAH AND I: The Confidential Diary of Iran's Royal Court 1969-1977
By Asadollah Alam, edited by Alinaghi Alikhani
London: IB Tauris, £24.95

The Shah of Iran was one of the last contemporary monarchs to relish so visibly the trappings of kingship. He crowned himself on the Peacock Throne in regal splendour and celebrated 2,500 years of sovereignty against the spectacular backdrop of Persepolis, capital of the ancient Persian empire.

The pivot of the shah's court was Asadollah Alam, his minister of court for a decade from 1967. His diary, The Shah and I, is aptly named: Alam was far more than a humble courtier. He was one of the monarch's closest friends and the only man outside the shah's immediate family who dared to speak to him frankly.

Alam, who died in 1977, saw the shah on a daily basis, regularly accompanying him on holiday. He refers to the shah as HIM (His Imperial Majesty), three letters that loom large on every page.

Such access makes these diaries an important political document. They chart a path through the last decade of the Iranian monarchy in which the seeds of the 1979 revolution were sown, and form an absorbing account of the personality of the shah and his style of government, including the treatment of his ministers, and the petty intricacies of diplomatic protocol that dominated Iran's foreign relations.

His diaries show the extent to which UK, US and Israeli intelligence collaborated with Iran; they document Iran's sending of fighter aircraft to Vietnam, at the request of President Richard Nixon; and they indicate the existence of a sort of international monarchical helpline, of which the shah appears to have been the unofficial head, dispensing largesse from what Alam terms the "government's secret funds" to the ex-king of Albania, the ex-king of Afghanistan and the ex-king of Greece. Iran also supplied US F-5 [illegible]ers to King Hussein of Jordan, whose imminent fall from power Alam predicts at regular intervals throughout the book.

Several points stand out. The first [illegible] extent to which the shah was convinced that the US and particularly the British, [illegible] seeking to undermine him. [illegible] example, Alam con[illegible] Iran's attempts to [illegible] the [illegible]thist government of its problematic neighbour, Iraq, were not limited to support for Iraqi Kurds. They extended to organising two coup attempts against Hassan al-Bakr's government. The first, in 1970, was thwarted by Saddam Hussein, then Bakr's deputy, and ended in a blood bath which the shah believed was caused by a British tip-off. The Ba'ath, he was convinced, were in the pocket of the British. He also believed that the US was behind the Arab oil boycott. American oil companies could only benefit, argued the shah, while those that suffered were the US's economic rivals, Europe and Japan.

Second, despite the popular image of the shah as the US's stooge, the relationship that emerges does not appear so clear. In 1974, the US sought to monopolise Iranian markets by getting Iran to agree to a Joint Economic Commission. The shah successfully resisted the pressure, commenting that "we mustn't end up an American colony like Saudi Arabia". Both Alam and the shah were proud of what they regarded as Iran's independence from the US – an irony when most Iranians resented what they saw as a sell-out of Iran's national interests to the west.

This difference in perception [illegible] the shah and his [illegible]ple is striking. Alam's diaries show that the shah's megalomania increased noticeably with the success of the quadrupling of oil prices in December 1973. By April 1974, the shah was telling Alam: "To be first in the Middle East is not [illegible]ough. We must raise ourselves to the level of a great world power."

[illegible] shah's ambitions increased, so did his isolation from his subjects and his distance from reality. He appears to have believed that he had created a welfare state, but Alam, catching a glimpse of poverty on the streets of Tehran, remarked that "the shah struggles day and night, confident that within a decade we shall have surpassed much of the developed world, yet no manner of wishful thinking can alter life in these streets".

For the most part, Alam is blindly devoted to his sovereign. However, he feels unease at the shah's refusal to allow wider political participation. "At every level, from parliament down to local and municipal elections, the government denies freedom to the people, imposing its own will and returning its own candidates as if the electorate had absolutely no say in the matter," he wrote in 1973.

In their Persian language edition, the diaries run to four volumes, and at 550 pages, the book still feels short in English. The introduction, written by the editor, gives the political background and details about Alam's own life. Each year is prefaced by a summary outlining the main events.

Scheherazade Daneshkhu

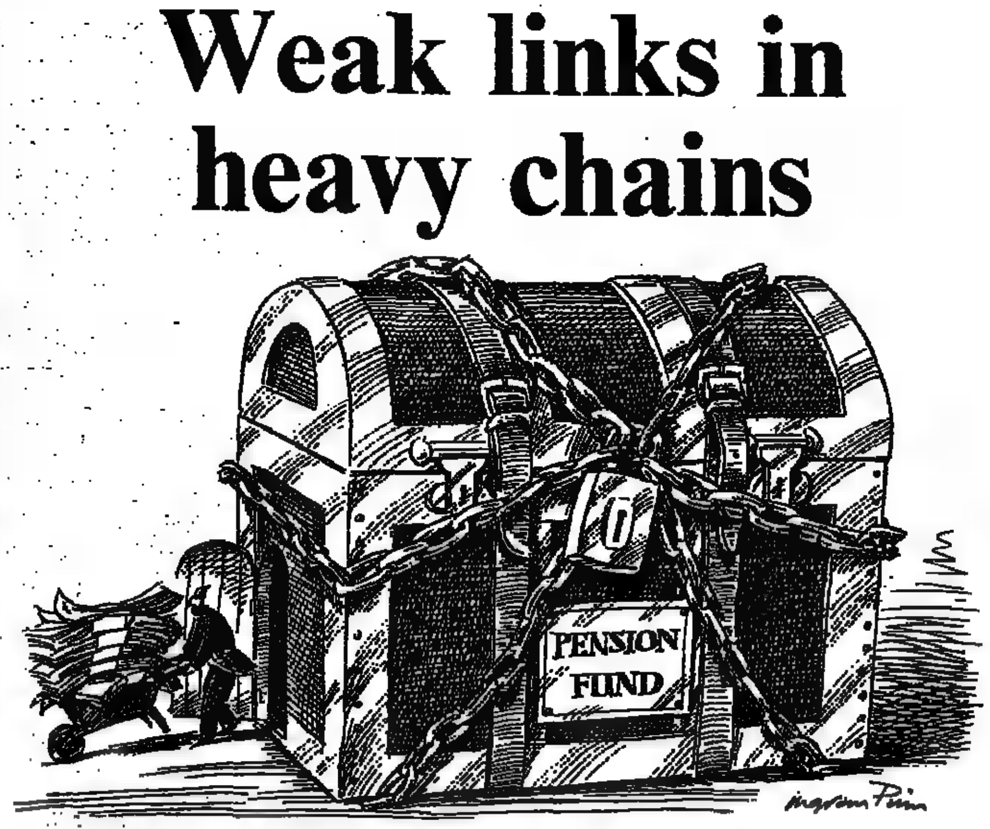
Danish fact[illegible] in EC deba[illegible]

Copiers: ar[illegible]

هكذا من الأصل

Barry Riley argues that the safeguards put around pension funds must be made more effective

Weak links in heavy chains



Members of various pension schemes within the crumbling Maxwell empire have had some of their worst fears confirmed within the past couple of days. The assets of those funds may have been spirited away.

But how could it have happened? Surely the pension funds of British companies are set up with comprehensive legal safeguards? The elaborate separation of pension scheme assets within trusts, under the control of trustees, and safeguarded by their own lawyers, auditors and consulting actuaries, is designed to immunise pensioners from the problems of the sponsoring company.

Leading pensions professionals insist that by and large funds are safe. But a top consulting actuary admits that they are "not totally fireproof against fraud".

A leading pensions lawyer says: "At the end of the day you can't stop a real rogue getting away with it, no matter how much [illegible] you put in place".

Existing procedures are designed to prevent honest people from committing inadvertent blunders through ignorance or imprudence, and they also serve to make it difficult for less scrupulous characters to cut corners and misuse funds. But several small scandals in the past year or two have made it clear that the potential for much bigger disasters exists. And of course, if you are a member of a bankrupt scheme it does not matter to you whether the vanished fund was small or large, because your personal distress is the same.

This kind of agony was suffered early this year by the 140 members of the pension scheme of Farr, a failed Wiltshire construction company. Investigations showed that the £3m assets of the pension scheme had disappeared: £1m had been invested in Farr shares, which had become worthless, and the other £2m had been lent directly to the company, which of course could not repay. The nine retired members had their monthly pension cheques stopped.

According to Mr Cedric Clapp, an insolvency partner of [illegible] accountants Ernst [illegible] Young, who is an independent trustee of the scheme, upwards of £300,000 has now been recovered through a Department of Employment guarantee scheme and through action against a former Farr director. The pension payments have been resumed for the time being. But [illegible] overall [illegible] for members remains bleak.

Pension schemes in the UK are organised under trust law. There have been arguments from time to time over whether laws which were originally devised to control private family settlements are really suitable as the legal framework for billion-pound occupational pension funds with thousands of beneficiaries. However, generally speaking there have been few problems in practice.

With small schemes the assets are often directly under the control of the trustees. Two and sometimes three signatures are normally required before assets are transferred. Trustees must act in the interests of beneficiaries, and they have a duty [illegible] consult and obtain each others' agreement. When schemes are larger a corporate trustee company [illegible] often created, but its directors have similar responsibilities to those of individual trustees. Control of the assets is commonly delegated to external fund managers, who in turn may place the securities with external custodians.

Procedures may be inadequate if a powerful individual is determined to raid the fund's assets

Pension lawyers have developed patterns of best practice, and may recommend further safeguards, for instance that securities must be registered in the name of the fund rather that just in the name of external nominees. Trustees should be drawn from different interest groups within the com[illegible] including pensioners and possibly outside representati[illegible] too. The [illegible] of professional independent [illegible] is being developed.

The trouble is, such procedures are voluntary and may be inadequate if one or two powerful individuals are determined to raid the fund's assets. Typically this is most likely to happen when a company is about to collapse and the executive directors, who are also likely to be trustees of the pension scheme, are desperately searching for funds to keep the company afloat.

At the very least, the Maxwell affair is likely to provoke a lot of trustees into asking about the security of their own funds at their next quarterly meetings.

There could also be a near-term legislative impact in the shape of new curbs on self-investment by pension funds in their own sponsoring company or its associates. This is generally frowned upon, and has been at the core of the Farr and Maxwell scandals, but is still quite legal.

Possibly this will not remain true for long, however. The Department of Social Security [illegible] regulations [illegible] Security [illegible] 1991 restricting self-investment, and the [illegible] Association [illegible] Pension Funds [illegible] now expecting the final form to be tougher than when a draft version [illegible] circulated [illegible] months ago.

Banks may be deemed to have a duty to exercise due diligence in assessing asset ownership

Mr Clive Gilchrist, chairman of the NAPF's Investment Committee, points out that the rules have so far only referred to quoted securities, which could be limited to 5 per cent of a fund. But funds may also lend money to their sponsoring companies or buy property occupied by them. "The government must now appreciate that self-investment is not just investing in shares," he says.

In future, therefore, it could be illegal for pension funds to lend money or [illegible] to a parent company. But it is not clear [illegible] breaches would have other than purely technical conseq[illegible] in relation [illegible] contracting-out from the [illegible] scheme.

Other layers of protection may [illegible] even after [illegible] have been siphoned out of the fund. Institutions such as banks and insurance companies may be deemed by the courts to have [illegible] duty to exercise due diligence in assessing the ownership and deployment of assets.

For example, after another scandal broke in 1988 over the disappearance of assets from [illegible] pension fund of Aveling-Barford, the Grantham engineering company, Royal Life Insurance agreed to [illegible] to fill [illegible]

Most of [illegible] fund's [illegible] had been switched into an insurance [illegible] on inappropriate terms which allowed the bro[illegible] involved [illegible] strip [illegible] £3m commission. Royal accepted that it should have taken [illegible] care over the behaviour [illegible] its [illegible], but the liability [illegible] never tested in court.

As for the Maxwell case, if [illegible] were indeed transferred to banks as collateral for loans to the Maxwell private companies the question is whether those banks should [illegible] more careful in checking on [illegible] ownership of those [illegible]

Whoever [illegible] the transfers – presumably Robert Maxwell himself, either alone or with associates – could not have been acting in the interests of beneficiaries and may also, pension lawyers [illegible], have failed to obtain the agreement of all the trustees to major transactions. Such behaviour could amount to a breach of trust.

Actions against the trustees concerned might not be very fruitful. On the other hand, it could be argued that they were acting *ultra vires* in which case the [illegible] could [illegible] null and void, and [illegible] courts could require the assets to be returned [illegible] rightful owners.

This [illegible] all conjectural, and [illegible] precise implications will depend [illegible] how the "borrowing" of stock was carried out. If the Maxwell private companies go into liquidation and the banks refuse to give up their securities, pensioners in the Mirror and other funds might be badly hit. At the very least there will be a bitter legal campaign to regain the assets.

Experts argue, however, about the scope for improving protection. Complete security would be enormously expensive to obtain. "There's no shortage of law. The problem is with the enforcement of it," says Mr John Quarrell of solicitors Nabarro Nathanson.

An open and shut case of competition

Confusion over Sunday trading in the UK may persist for some time, writes **Robert Rice**

Mr Richard Branson, chairman of the Virgin group, has a robust, if somewhat unusual, view of Britain's Sunday trading laws. It is not his chain record stores which is breaking the law by opening on Sundays, he [illegible], it [illegible] those [illegible] try to enforce Sunday closure.

His reasoning is straightforward: Britain has been in the Europ[illegible] Community since 1972; the Treaty [illegible] Rome guarantees freedom of trade; and EC law takes precedence over national laws which conflict with it. "People forget we are in Europe," says Mr Branson. "We wouldn't be opening on Sunday if we thought we were breaking the law."

He is not alone in this view. It [illegible] the argument used by Kingfisher, owner of the B&Q do-it-yourself chain, the main protagonist behind the assault on Sunday trading laws.

But if the legal position is so clear-cut, why are other retail[illegible] confused? Why [illegible] House of Lords, Britain's high[illegible] appellate court, referred the question of the compatibility of Britain's 1950 Shops Act with EC law to the European Court twice since [illegible]

Mr Branson's answer is that it is mainly food retailers which are confused over Sunday trading – not Virgin. Virgin's position is different, he argues, because it sells a "substantial" amount of goods on Sunday, a significant percent[illegible] which [illegible] imported from other EC [illegible] principally from Germany.

Sunday [illegible] Virgin's second [illegible] day of the week [illegible] Saturday, accounting for 25 per cent of weekly [illegible]. Where Virgin stores have been forced to close on Sunday – as they were in France recently, where retailers are also confused about their legal position – those 25 per cent of weekly takings disappeared. They were not made up during the rest of the week, says Mr Branson.

He maintains, therefore, that any British law preventing Sunday trading has the effect of restricting trade [illegible] EC member states, which contravenes [illegible] 30 [illegible] the Treaty of Rome.

[illegible] Mr Branson [illegible] his case [illegible] a strong one, it could be argued that he has jumped the gun [illegible] not waiting until the European Court has ruled for the second time on the compatibility of Britain's Shops Act with EC law.

The sole question put by the House of Lords [illegible] the European Court in [illegible] whether the Shops Act contravened Article 30, which prohibits any restriction of imports between EC states. By banning Sunday trading, many retailers argued that the act effectively reduced the volume of EC imports into the UK.

The court said in reply that the validity of the English Sunday trading law depended [illegible] the resolution [illegible] crucial questions: first, whether it pursued [illegible] legitimate objective, justified under Community law; and second, [illegible] it [illegible] more draconian [illegible] to achieve its aim.

In answer to the first question, the European court ruled [illegible] protection of shop [illegible] from being [illegible] Sunday [illegible] legitimate objective. To the second question it [illegible] that if the protection of workers could be achieved by means other than a Sunday trading ban, then the Shops Act was too draconian.

The interpretation of these complicated rulings was, however, left [illegible] the UK [illegible]. They in turn were left in a [illegible] confusion. Some [illegible] shop [illegible] could [illegible] without a Sunday trading ban; [illegible] they could.

Britain's law [illegible] have now [illegible] the European [illegible] further clarification. Until [illegible] court replies, however, it [illegible] still a criminal offence under the Shops [illegible] trade on Sunday in Britain.

This could remain the case until [illegible] 1993. When [illegible] does finally [illegible] the matter, [illegible] court may still [illegible] it in [illegible] way that [illegible] UK government [illegible] further legislation. The court is almost certain [illegible] demand that [illegible] protection for Sun[illegible] remains in place, however. Separately, [illegible] have [illegible] been suggestions that the [illegible] under [illegible] Social [illegible] Programme, might [illegible] to regulate Sunday [illegible] in line with German practice – although such proposals have thus far been much diluted.

German rules on Sunday trading [illegible] present the most restrictive in Europe. Retailers are forced [illegible] close on Saturday afternoons as well as on Sunday. France [illegible] slightly less restrictive but [illegible] there Sunday trading is broadly outlawed [illegible] some [illegible] are [illegible] required to stay closed [illegible] Monday mornings.

Retailers in [illegible] reacted [illegible] different [illegible] current impasse. Some trade on Sunday, some do not. Mr Alistair Grant, chairman [illegible] Argyll, [illegible] of the Safeway supermarket chain, [illegible] that [illegible] the [illegible] Safeway [illegible] opening [illegible] on Sunday – where trading is legal – he [illegible] rather not" do so in England [illegible] while it remains against [illegible] law. But [illegible] competitors such as Budgen, [illegible] and Gateway have forced [illegible] hand [illegible] he [illegible] no choice but [illegible] open on Sunday.

Mr Geoffrey Maitland Smith, chairman of Sears, owner [illegible] Selfridges, Dolcis and the Olympus sportswear chain, ostensibly [illegible] of retailers, including Marks and Spencer, [illegible] John [illegible] partnership, [illegible] opposed [illegible] breaking the law. But [illegible] that [illegible] handful of out-of-town [illegible] Sunday when [illegible] competitive advantage.

Ultimately, [illegible] chair[illegible] they [illegible] afford to [illegible] for [illegible] pean [illegible] ruling while rivals take advantage [illegible] the uncertainty. They feel [illegible] legal mess [illegible] UK government [illegible] out, and until [illegible] they will continue [illegible] trade on Sunday.

[illegible] Tory supporter Mr [illegible] his position difficult. "If [illegible] government [illegible] me and said: 'We hate [illegible] you're doing, will [illegible] a voluntary ban [illegible] Sunday opening from [illegible] end of December?' I'd probably say 'yes', provided they could guarantee it covered all [illegible] large-scale food retailers. I [illegible] been asked to stop, but to [illegible] Mr Major rang up and asked [illegible], I think I would stop tomorrow."

LETTERS

Danish factor in EC debate

From Prof Drude Dahlerup.

Sir, With reference to your story, "EC ministers step up [illegible] Maastricht deal" (November 30), one of the crucial problems with EC integration is the lack of a common public debate *(öffentlichkeit)*.

Is it at all possible to establish a democracy in a federal state of 320m people who speak different languages and do not read the same newspapers? In all EC countries the newspapers mostly report what their own politicians say about the EC. That is why all European leaders after the [illegible] summit probably will [illegible] go [illegible] announcing that "we won."

In my country, [illegible] new Union Treaty is also subject [illegible] much public [illegible] now. The government and opposition have agreed that a referendum is to be held, probably in Sep[illegible]

According [illegible] all opinion polls, the majority [illegible] Danish voters today [illegible] giving [illegible] power to the EC on almost all [illegible] the proposed [illegible]. So [illegible] long and bitter dis[illegible] Denmark [illegible] be [illegible] only EC country in which [illegible] referendum will be held. The outcome is, however, important to all member states since the treaty must be ratified by all member states in order to come into effect.

Drude Dahlerup,
Institute of Political Science,
University of Aarhus,
Denmark

Where Maxwell should elicit no surprises

From Mr Rodney [illegible]

Sir, Your correspondents, Bronwen Maddox and Richard Gourlay, say, "The way in which the Maxwell private interests were intertwined with the fate of the public companies is something that would have been hard to glean [illegible] any publicly available document" *(UK Company News,* November 3). Not so.

One of the reasons why the sale of Pergamon to Leasco was called off in 1969 was the relationship [illegible] Maxwell companies and Maxwell private interests. The other reason [illegible] creative accounting.

Both [illegible] made available [illegible] the public in a variety of documents including [illegible] Board of Trade enquiry [illegible] concluded that Mr Robert Maxwell was not fit to be the steward of a public company.

Twenty years later, the same old secrecy, conflicting interests and flattering presentation of figures have surfaced again, the difference being [illegible] the numbers involved are now in [illegible] hundreds [illegible] than [illegible] tens of millions.

But there can be no possible [illegible] for surprise [illegible] bankers, accountants, professional [illegible] or institutional investors.

Rodney Leach,
[illegible] Lombard Street,
London EC3V 9AQ

Afternoon post not acceptable

[illegible] Mr Jeremy Cockayne.

Sir, In your report [illegible] Post Office's plans [illegible] abandoning second deliveries to "[illegible] addresses" and bringing us [illegible] milk and papers along with [illegible] mail ("Plan [illegible] up [illegible] deliveries", November 3), [illegible] mention that the Consumers' [illegible]ciation believes that cutting out the second postal delivery might be acceptable. I sincerely hope they'll do a bit of research on the subject before pronouncing any further on it.

The point of eliminating second deliveries is to allow the one and only delivery [illegible] be [illegible] throughout the [illegible] – [illegible] enabling [illegible] to cut [illegible]. But [illegible] mail deliveries implies that, for a significant proportion [illegible], it will [illegible] well into [illegible] we get our post.

[illegible] a [illegible] many people – including the thousands of home-based small businesses for whom prompt communication by post is still important – afternoon deliveries will, I suggest, definitely not be acceptable.

Jeremy Cockayne,
23 St Paul's Square,
York YO2 4BD

A charter for tax forms

From C Stephenson.

Sir, It is encouraging to read ("Inland Revenue boosts evasion income to £3.9bn, November 30) that in response to the government's Citizen's Charter the Inland Revenue is to publish targets of the time in which it is to respond to letters and that tax forms are being redesigned. It is to be hoped that this will result in a more businesslike approach to dealing with taxpayers' correspon[illegible] speedily, and [illegible] current slipshod practice [illegible] holding replies [illegible] until posted will be abandoned. In addition, [illegible] Tax Notice [illegible] (Coda) – [illegible] for other sources of income not assessed under Paye which involve convoluted calculations and which cause irritation – should be redesigned.

The appropriate form should show comprehensible computations of the various sources of income in the same order to that reported on the tax return with [illegible] appropriate allow[illegible] and any tax [illegible] or [illegible] paid. These reforms are long overdue and would [illegible] only improve efficiency but also improve public [illegible] with taxpayers.

C Stephenson,
1 Broadfern Road,
Knowle, Solihull,
West Midlands

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Copiers: anti-dumping, technology and the Japanese connection

From [illegible] Patrick A Messerlin and Yoshiyuki Noguchi

Sir, Mr Bernard [illegible] made [illegible] in his letter (November 16), that are so incomplete as to be misleading.

First, [illegible] stated that low-priced imports from Japan have [illegible] EC producers to give up the manufacture [illegible] copiers. But [illegible] did [illegible] that the official anti-dumping investigation has shown that EC copier-makers have been repeatedly investing in the wrong technology, and [illegible] they have failed to develop small copiers based on the plain paper technology pioneered by Canon, not Xerox.

Second, Mr Fournier wrote that "the anti-dumping duties [illegible] contributed to [illegible] viable European copier industry". How viable? He provided figures on employment, but was silent about the market share of the four complainants – in their capacities as producers – which has slumped from 13.8 per cent in 1981-85, to 12.4 per cent in 1988-89 and 10 per cent in 1990, despite the high anti-dumping measures of 1986 and 1988, and close monitoring by the Commission.

Or does "viable" refer to the increasing market share of the complainants – *in their capacities as distributors?* Does the silence of Mr Fournier mean that a Japanese-made coper is "European" as soon as it is sold by [illegible]

Last, Mr Fournier stressed that "Xerox plants [illegible] thoroughly investigated by the Commission and the local content of products determined". True. But, again, he omitted to mention that the Commission found that [illegible] British plant was using "parts originating predominantly in Japan". In Japan-bashing jargon, this is a screwdriver plant.

How then did [illegible] escape anti-circumvention measures? Because "the operations (in this Xerox plant) were not substantially increased after [illegible] opening of [illegible] anti-dumping investigation" (EC Official Journal, 1988: L284). Thus Xerox was protected [illegible] anti-dumping duties in 1986, in order to build [illegible] "European" production [illegible]. Then the Xerox screwdriver plant escaped anti-circumvention measures in 1988 [illegible] failed [illegible] build a Euro[illegible] production base.

Mr Fournier's reply raises three questions. Is what is good [illegible] – [illegible] self-proclaimed European – good [illegible] the Community? [illegible] a "European" company any large one of old standing? Does industrial policy consist of making errors of judgment, then distorting regulations to hide the errors? Competition policy must provide [illegible]

Patrick A Messerlin,
[illegible] Politiques, Paris,
Yoshiyuki Noguchi,
Nomura [illegible]

FINANCIAL TIMES
Thursday December 5 1991

Hope rises for two Germans as final US captive Terry Anderson is freed in Lebanon

Hostage crisis nears end with latest release

By Our Middle East Staff [redacted] Quentin Peel in Bonn

MR TERRY ANDERSON, the longest-held western [redacted] in Lebanon, yesterday became the third and final [redacted] hostage freed in as many days, signalling the end of the decade-long hostage crisis.

Hopes rose in Bonn, meanwhile, that the two remaining western [redacted] the German aid [redacted] Mr [redacted] Kemptner and Mr Heinrich Strübig, would also be released soon.

Mr Anderson, [redacted] chief Mid[redacted] correspondent [redacted] Associated [redacted] who [redacted] held captive [redacted] 2,454 days by Islamic Jihad, the Iranian-backed group, also endured a confused and lengthy release.

His [redacted] announced [redacted] at 10am [redacted] time [redacted] diplomats [redacted] still awaiting his arri[redacted] last night in Damascus after his convoy was apparently delayed in the Bekaa valley by snow on the road [redacted] the Syrian capital.

Mr Javier [redacted] Cuéllar, the UN secretary-general, said Mr [redacted] was in Syrian hands. He hoped Mr Anderson would arrive in [redacted] sometime during the night and said [redacted] delay was [redacted] "technical problem".

Mr Anderson's release fol[redacted] Mr Joseph Cicippio and Mr Alann [redacted] on Monday and Tuesday after the intensive diplomatic brokerage of Mr Giandomenico Picco, the UN special envoy.

Mr Pérez de Cuéllar said he was still working to release the two Germans held by Lebanese kidnap groups. Germany holds two Lebanese brothers, Mr Mohammed Ali and Mr Abbas Hamadi, convicted on charges related to terrorism, who the kidnappers have demanded be released first. Bonn remains adamant that it is not prepared to do a deal.

"I am working on it, and I hope that I could find some resolution, perhaps, in one or two weeks, no more than that," said Mr Pérez de Cuéllar.

Mr Hans-Dietrich Genscher, the German foreign minister, will meet Mr Picco in Bonn today on his return from the Middle East. A Foreign Ministry spokesman reported further "positive signs for [redacted] early [redacted] the two men after direct contacts between Mr Genscher and the authorities in Tehran and Damascus.

The remaining pieces of the jigsaw will fall into place when Israel receives four servicemen – [redacted] their [redacted] – who disappeared [redacted] during [redacted] with Syria in 1982.

Tom and Susan Anderson hang a sign and picture of their cousin Terry Anderson in the window of their home in Valley Stream, New York, yesterday

Figures for third quarter will help bank fight off interest rate cuts

Japan's economy grows by 4.2%

By Stefan Wagstyl in Tokyo

THE Japanese economy performed more strongly than expected in the third quarter of this year, posting a 4.2 per cent increase compared with the corresponding three months in [redacted], according [redacted] figures announced yesterday.

The data published by the government's [redacted] ning Agency [redacted] eco[redacted] growth is [redacted]uing to [redacted] gently but not as rapidly as some [redacted] business leaders [redacted] feared.

The report will help the Bank [redacted] Japan fight [redacted] demands for [redacted] swift cuts in interest rates.

Nevertheless, central bank [redacted] are concerned [redacted] businessmen seem [redacted] be more pessimistic [redacted] current [redacted] would warrant – [redacted]ing that industry [redacted] worried [redacted] a sharper decline [redacted] just around the corner.

Mr Yasuo Katsumura, deputy general of the EPA, said yesterday [redacted] government remained committed [redacted] its growth target of 3.8 per cent for the financial year to next March – [redacted] goal some private [redacted] regard [redacted] unat[redacted].

They point to the fact that the rate of growth is slowing, [redacted] the economy expanding by just 0.4 per cent in the third quarter over the previous quarter – an [redacted] of just 1.6 per cent, compared with 2.8 per [redacted] in the second quarter and an unusually high 11 per cent in the first three months of 1991.

Mr Katsumura said the figures showed the economy was in transition from [redacted] very strong expansion, that could [redacted] as [redacted] heated, to [redacted] more moderate but sustainable growth rate.

External demand [redacted] very slightly down [redacted] the previous q[redacted] – [redacted] tribute [redacted] the resilience of Japanese exports, which, despite the slowdown in main markets, grew 2.1 per cent. Imports rose by 2.5 per cent, [redacted] domestic [redacted] grew by just 0.4 per cent.

The growth figures were the lowest since the second quarter of 1989, but some economists had been expecting the economy to shrink slightly compared with the previous quarter.

The last time the economy declined for a quarter was in [redacted] The only time [redacted] has seen [redacted] successive quarterly declines [redacted] in the last quarter [redacted] 1974 and [redacted] first three [redacted] 1975, following [redacted] first oil shock.

Meanwhile, figures supplied by the finance ministry confirmed the continuing strength [redacted] external demand.

[redacted] current account surplus [redacted] in October [redacted] $6.73bn, more than double the [redacted] recorded in the same month in 1990. Exports [redacted] cent, [redacted] imports dropped 13.1 per cent, due mainly to a [redacted] in oil prices.

For the [redacted] month [redacted], the outflow [redacted] long-term capital exceeded the [redacted] into [redacted] country, as Japanese [redacted] sought [redacted] buy [redacted] bonds in anticipation of interest rate [redacted] at [redacted] of foreign bonds totalled $14.3bn, compared with $1.9bn in [redacted]ber.

The capital inflow figure [redacted] by [redacted] sharp [redacted] in [redacted] repatriation of [redacted] proceeds [redacted] in the Euromarkets by Japanese compa[redacted] – from [redacted] $5.4bn.

Brittan hits [redacted] EC [redacted] makers' monopolies

By Andrew Hill in Brussels [redacted] John Griffiths in London

EUROPEAN car makers' efforts to freeze out [redacted]ary companies [redacted] to supply cars [redacted] cheaper prices across Community borders, [redacted] a knock yesterday [redacted] Sir [redacted] the EC competition commissioner, and raised a question [redacted] the issue of [redacted] exclu[redacted] in the EC.

Sir [redacted] rejected a complaint by Peugeot of [redacted] that Ecosystem, a Rouen-based intermediary, was actually reselling on the open market in France cars bought in Belgium and Luxembourg. Peugeot had ordered [redacted] in [redacted] countries [redacted] supplying Ecosystem.

[redacted] upholding the right [redacted] import cars on behalf of individual [redacted] Leon signalled his [redacted] to [redacted] EC [redacted] manufacturers' exclusive dealerships. [redacted] warned the French [redacted] would lift the protected [redacted] of [redacted] dealerships in the [redacted] countries if [redacted] not withdrawn within [redacted] months.

[redacted] intermediary companies form part of a growing controversy over differential car prices inside the EC. Research ordered by the EC Commission itself, and now in [redacted] hands of EC competition officials, [redacted] that car prices in the UK, [redacted] example, [redacted] up to [redacted] higher – and up [redacted] 80 per [redacted] higher [redacted] a pre-[redacted] – than in [redacted] EC markets.

The still-confidential [redacted] says car pricing structu[redacted] in [redacted] EC [redacted] so complex [redacted] they are impossible for private, [redacted] business, [redacted] unravel.

It [redacted] for manufacturers [redacted] be [redacted] to produce certain standardised "reference" models, [redacted] prices [redacted] which would be denominated in European Currency Units (Ecus).

Sir Leon, [redacted] to [redacted] a difficult political line [redacted] the [redacted] protectionists and liberals in [redacted] sensitive car [redacted] yesterday [redacted] clarify [redacted] intermediary sys[redacted] by laying [redacted] in [redacted] acceptable buying [redacted] marketing pr[redacted].

The [redacted] was [redacted]ful not [redacted] imply [redacted] the existing 10-year agreement – lasting until 1995 – which grants [redacted] dealerships [redacted] exemption from EC [redacted]petition rules.

German car market, Page 10
Green pressure, [redacted] 11

Hurd more optimistic about EC treaties

By Robert Mauthner and Philip Stephens in London

THE PROSPECTS for an agreement on new monetary and political union [redacted] European summit in [redacted] have improved, but [redacted] by no means a foregone conclusion, Mr Douglas Hurd, UK foreign secretary, [redacted] yesterday.

"I [redacted] that [redacted] will go into [redacted] room wanting it [the conference] [redacted] be [redacted]ful," Mr Hurd said in an inter[redacted] with [redacted] Financial Times. "I don't think anyone will want it to fail. But it will still be [redacted] formidable task."

A substantial number of secondary matters had [redacted] the meetings in Brussels over [redacted] past [redacted] days. But [redacted] been no breakthrough on leading [redacted].

Somewhat surprisingly, Mr Hurd played down the impor[redacted] the phrase "federal goal" in [redacted] preamble of [redacted] Dutch text, which most [redacted]ber [redacted] now [redacted] should be replaced by [redacted] controversial wording.

Although stressing [redacted] "in our judgment, it will [redacted] to go", [redacted] Hurd [redacted] this was not [redacted] important point that [redacted] be [redacted]. The political union treaty [redacted] not "a [redacted]eral text" – it was in [redacted] docu[redacted] which [redacted] essentially with intergovernmental co-operation.

Nor did the foreign secretary take too seriously reports that Britain's partners would exact [redacted] heavy price for removing the [redacted] "f" word from the treaty. The negotiations did [redacted] involve [redacted] one point and another, but an overall accord on [redacted] of [redacted], which would "come together" [redacted] end [redacted] bargaining process.

Among [redacted] six [redacted] seven major problems [redacted] be [redacted] by [redacted] government in Maastricht, Mr Hurd identified [redacted] chapter [redacted] political [redacted] treaty [redacted] the [redacted] intractable.

But he [redacted] optimistic [redacted] reaching an agreement on a [redacted] European [redacted] identity".

Mr Hurd had been encouraged by a [redacted] by Mr Roland Dumas, [redacted] French foreign minister, apparently accepting "the independence" [redacted] nine-nation [redacted] European Union, within which European defence policies [redacted] co-ordinated. France, however, still [redacted] the WEU [redacted] close links [redacted] European Community.

"What [redacted] avoid [redacted] that [redacted] WEU should [redacted] subordinate to the European Community, to become just its creature," Mr Hurd said. But Britain would, of [redacted], accept the [redacted] that the WEU would be "influenced" by [redacted] security policy decisions [redacted] both the European Council and Nato, as long as it remained [redacted] reject [redacted] "advice".

[redacted] a common foreign policy, Mr Hurd [redacted] Britain still [redacted] an additional [redacted]guard [redacted] individual [redacted] implementation [redacted] joint action, if it considered [redacted] situation [redacted] vital [redacted]

[redacted] recovery, Page 2
Britain's pulse misses, [redacted]

Pan Am gives up fight

Continued from Page 1

funding.

Yesterday Mr Russell Ray, who has been Pan Am's chief executive for just two months, said of Delta's decision: "I am especially distressed that this effort has failed after our labour leaders and em[redacted] have demonstrated that they were willing to make sacrifices to keep the company operating. Today, we see the end of an airline whose name will be forever forged in American history."

Pan Am was created in the late 1920s and built up by Mr Juan Trippe, a banker's son. He quickly accumulated [redacted] formidable route network in South America, employing Mr Charles Lindbergh as a technical adviser, and subsequently pioneered US air travel to the Far East.

For years, Pan Am remained [redacted] dominant US [redacted]ing international travel, and in the mid-1950s it led the introduction of the "jet age".

However, in [redacted] years, it had made heavy losses, and only a succession of asset sales kept it afloat. Consumer confidence in the airline also ebbed as it became a target for terrorist attacks – in particular the Lockerbie bombing.

Maxwell fraud inquiry

Continued from Page 1

in their loans expires [redacted]

The [redacted] had talks with Arthur [redacted], with a [redacted] a partner [redacted] accountancy firm becoming the [redacted] His job would be [redacted] organise an orderly disposal [redacted] family's [redacted] recently valued [redacted] just over £1bn.

[redacted] the proceeds would [redacted] used [redacted] repay banks, which are [redacted] an [redacted]ted [redacted]

The pension funds would rank behind the banks in any winding up. They are [redacted] could [redacted] next [redacted] nothing.

MCC, which [redacted] about £240m, and MGN, which is [redacted] also rank behind [redacted] banks in [redacted] they have [redacted] private companies. When MGN came [redacted] the [redacted] in May, its merchant bank, Samuel Montagu, said [redacted] "ring [redacted]" had been put around it preventing [redacted] private companies.

In [redacted] summer, however, MGN instructed [redacted] company connected [redacted] private Maxwell interests to [redacted] its [redacted] in gilt-edged [redacted] About [redacted] was paid but the gilts [redacted] been found. Mr [redacted] Wilson, an [redacted] director, [redacted] the board did not [redacted] the tran[redacted].

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	15	59
Algiers	S	20	68
Amsterdam	C	4	39
Athens	S	14	57
Bahrain	S	26	79
Bangkok	F	32	90
Barcelona	S	14	57
[redacted]	–	–	–
[redacted]	C	7	45
[redacted]	Fg	-1	30
Berlin	C	4	39
Biarritz	S	11	52
Bombay	S	33	91
Bordeaux	S	6	43
Boulogne	C	1	34
Brussels	C	1	34
Budapest	C	1	34
Buenos Aires	C	25	77
Cairo	S	18	64
Cape Town	S	23	73
Caracas	C	28	82
Casablanca	R	15	59
Chicago	Sn	-15	5
Cologne	C	1	34
Copenhagen	C	9	48
Corfu	S	14	57
Dallas	F	4	39
Dublin	C	7	45
Dubrovnik	–	–	–
Edinburgh	S	4	39
Faro	C	14	57
Florence	S	7	45
Frankfurt	C	1	34
Geneva	C	1	34
Gibraltar	C	15	59
Glasgow	C	3	37
Helsinki	C	1	34
Hong Kong	S	21	70
Innsbruck	S	1	34
Inverness	C	7	45
Islamabad	C	17	63
Istanbul	F	8	46
Jakarta	R	30	86
Jersey	F	2	36
Johannesburg	–	–	–
Lima	F	22	72
Lisbon	S	13	55
London	C	7	45
Los Angeles	S	13	55
Luxembourg	C	-1	30
Madeira	C	19	66
Madrid	F	11	52
Majorca	F	16	61
Malaga	C	15	59
Malta	R	15	59
Manchester	C	5	41
Manila	F	30	86
Melbourne	F	16	61
Mexico City	C	25	77
Miami	R	20	68
Milan	Fg	-1	30
[redacted]eal	S	-10	14
Moscow	Sn	1	34
Munich	Sn	-3	27
Nairobi	F	25	77
Naples	S	13	55
Nassau	F	29	84
New Delhi	S	23	73
New York	C	5	41
Nice	S	13	55
Nicosia	[redacted]	15	59
Oporto	S	14	57
Oslo	S	6	43
Paris	C	6	43
Peking	S	6	43
Prague	C	0	32
Reykjavik	R	6	43
Rhodes	S	14	57
Rio de Janeiro	F	33	91
Rome	S	12	54
Salzburg	[redacted]	-2	28
San Francisco	[redacted]	6	43
Seoul	C	7	45
Singapore	R	24	75
Stockholm	C	2	36
Strasbourg	C	0	32
[redacted]	F	26	79
[redacted]	F	24	75
[redacted]	F	17	63
Tel [redacted]	R	12	54
Tenerife	F	21	70
Tokyo	S	15	59
Toronto	Sn	-11	12
Tunis	F	15	59
Valencia	R	13	55
Venice	Fg	0	32
Vienna	C	0	32
Warsaw	Sn	0	32
Washington	F	4	39
Zurich	C	0	32

Temperatures at midday yesterday C – Cloudy [redacted] – Drizzle F – Fair Fg – Fog H – Hail R – Rain [redacted] Sunny [redacted] – Sleet Sn – [redacted] T – Thunder

THE LEX COLUMN

Mirror still in one piece

On the basis of the Maxwell revelations to date, it is time to ask what the Mirror Group might still be worth. The question is doubly important: to the banks who hold Mirror shares as collateral and to the outside shareholders who have £250m tied up in the company. The tentative answer is a tribute to the company's robustness. It would appear that half the Mirror's pension fund assets of £520m have vanished, turning a £150m surplus into a £110m deficit. Had this been the case last year, an £8.5m pension credit would have been turned into a charge against profits of perhaps £13m. In addition, let us assume that the £45m loan made by the Mirror to the Maxwell private side is a write-off, producing an interest charge of around £6m. The combined annual profit reduction of £27.5m is equal to just a third of Mirror Group's pre-tax profits last year.

To a business with the Mirror's steady cash flow, that is by no means fatal. But a mere one-third fall in the share price is scarcely to be hoped for. The market is bound to be wary of fresh horrors. It will also reflect that, since any prospective buyer of the Mirror will be equally wary, the immediate bid hopes which drove the shares up before their latest suspension may prove premature. On the other hand, some of the lost money may prove recoverable. Even if the share price were to halve from its suspension price of 125p, it would be in welcome contrast to the rest of the empire.

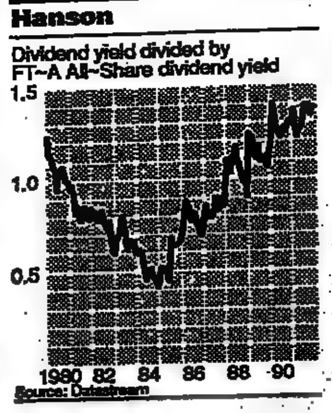
The idea of a white knight plunging in to buy Maxwell assets from the private side before its Friday deadline looks ever less plausible. The risks are simply too great compared to buying at leisure from the receiver. As for Maxwell Communication, it has little of the Mirror's ability to withstand its own losses of cash and pension fund assets. If the private side goes, it would be unwise to assume that MCC shares are worth anything at all.

Currencies

Moscow's formal request for a commercial bank debt rescheduling and worries [redacted] Mr Gorbachev's future [redacted] the D-Mark yester[redacted] exchange markets [redacted] ignore the weakness [redacted] the [redacted] economy underlined by yesterday's downward [redacted] 1.7 per cent third-quarter growth rate. Nor is the Soviet turmoil likely to make much [redacted] to today's Bundesbank's interest rate deliberations. German [redacted] markets are now discounting a quarter-point rise in [redacted] Lombard rate, the only question being whether it will come before or after the Maastricht summit.

As for the US, tomorrow's unemployment figures could heighten expectations of [redacted] fresh monetary easing, which would widen still further the [redacted] differential with [redacted]many. The fundamentals still point to [redacted] dollar.

FT-SE Index: 2,423.8 (+3.6)



Bass

Happily for Bass, its 13 per cent payout increase coincided with general market worries about dividend growth. That probably explains why its shares were singled out for a 4 per cent rise yesterday. But it will take more than a dividend covered 2.6 times by earnings per share to correct their 20 per cent underperformance this year. On the surface, the results look good, even after stripping out the £26m exceptional pension fund benefit. The company has managed to increase its share of the beer market and, with the kind of magic at which big brewers seem so adept, it has managed to push through higher prices at a time of falling overall demand. The remains of the rights issue proceeds have reduced gearing to 20 per cent.

The problem lies in where Bass goes from here, especially since the current year has started with further volume declines. It cannot hold down capital expenditure for ever, and outlays of more than £500m this year should push the gearing ratio up again. Nor can Bass continue raising beer prices indefinitely, especially once the Allied-Carlsberg venture starts to bite. The art will be to squeeze yet more margin out by cutting costs. There is some more room for that even on top of the planned brewery closures in Edinburgh and Sheffield. But sooner or later, the competition is bound to start catching up.

Hanson

Despite a degree of natural cynicism about the token rise in Hanson's full-year profits, the improvement in disclosure is to be applauded. Excluding recent acquisitions, trading profits are down 12 per cent, which seems fair enough for basic industries in a recession. But since acquisitions have produced the overall rise, it may fairly be asked how the trick is to be repeated this year. Beazer is too small for the job, while ICI looks more implausible than ever. Nor has Hanson got money to burn, with net debt now at £1bn. Even assuming profi[redacted] year are headed downwards, Hanson supporters will point to the yield, which at 7.4 per cent is at a 45 per cent premium to the market. But Hanson has been a yield stock for years; the trouble is that its yield premium keeps rising.

Costain

Costain's share price has lost 75 per cent of its value in the last nine months, so some good news was overdue. Yesterday's £101m disposal of investment properties to Great Portland and Pensman may not have come out of the blue, but at least it gave the company a chance to nail rumours of its imminent demise. The deal should leave gearing at a bit over 70 per cent if off-balance sheet debt is taken into account. More to the point, annualised cash flow from Australia and the US after capital expenditure covers the interest bill a comfortable two and a half times.

While the bankers may be happy, shareholders have less to smile about. The market perhaps underestimates the strength of Costain's mining businesses and exaggerates the damage which the Channel tunnel could inflict. But there are write-downs of perhaps £90m to come on property and the south of England land bank, the Spitalfields development remains a worry and the contracting climate is not getting any easier. It is not a question of whether the final dividend will be cut, but by how much. Having said this, it is hard to see the shares falling much below last night's 59p close, notwithstanding the nervousness of the whole sector.

هكذا من الأصل

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday December 5 1991

INSIDE

Institutions raise bids in £6bn BT sale

Institutional investors have [illegible] both the price and size of their bids [illegible] in the UK government's £6bn ($10.6bn) BT [illegible]. Strong demand from small private investors suggests that institutions, likely to [illegible] only £2bn of stock, are [illegible] prepared to offer premiums of up [illegible] 15p above [illegible] 347p at which existing BT [illegible] trading. Page 21

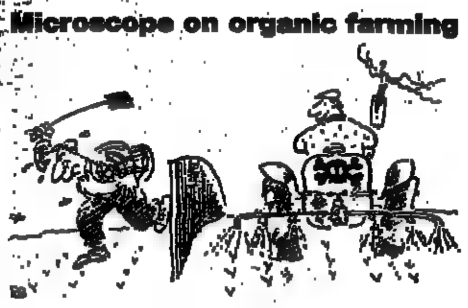
Siebe profits fall 12%

Siebe, the UK controls, engineering and safety products group, unveiled a [illegible] per cent fall in pre-tax profits [illegible] £75.2m ($133m), largely due to higher interest charges and depressed demand. Its acquisition [illegible] Foxboro more [illegible] interest charges from £16.1m [illegible] £33.7m. Page 22

Spain prepares for sell-offs

A priorities list of [illegible] companies [illegible] being passed around the Spanish Ministry [illegible] Finance. The ministry [illegible] to sell their [illegible] on local and international markets [illegible] to ward off a potentially large overrun on [illegible] Pta1,000bn (£5.5bn) budget [illegible]. The [illegible] for partial privatisation would probably be welcome in the [illegible] — their strength lies in [illegible] packed them with succulent [illegible] and large [illegible] of [illegible] local [illegible]. Page 18

Microscope on organic farming



A [illegible] report by the Royal Agricultural Society [illegible] England derided organic farming [illegible] uneconomic, unsustainable and unrealistically Arcadian. [illegible] conclusions [illegible] upset by Rhône-Poulenc, [illegible] French chemicals group, which [illegible] embarked on a 10-year comprehensive [illegible] programme examining [illegible] viability [illegible] organic farming. Page 28

Water capital debate intensifies

The [illegible] supply industry's [illegible] future capital strategies is hotting [illegible]. Ofwat, [illegible] industry regulator, has proposed that gearing be raised from an average of 35 per cent [illegible] as high 75 per [illegible]. The water companies disagree and dispute [illegible] regulator's cost-of-capital [illegible]. They are [illegible] concerned [illegible] higher gearing will mean lower [illegible] quality [illegible] that bond [illegible] will [illegible] a higher [illegible] as a [illegible]. Simon London [illegible] the likely shape of £28bn ($49.5bn) in projected capital funding. [illegible]

Costain sells property assets

Costain, [illegible] UK construction, property and mining group, yesterday [illegible] 11 [illegible] properties to [illegible] Portland [illegible] property group, in a [illegible] and [illegible] worth £84.3m ($149m). It [illegible] interest in a shopping [illegible] for £18.6m [illegible]. The disposals [illegible] cutting borrowings and improving its [illegible] position. [illegible] 21 [illegible] Lex, Page 16

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Asko	697	+	32	Credit Nat	982	+	22
Colonia Konz	930	+	20	Poliet	411.1	+	12.1
Herlitz	375	+	15	**Falls**			
Porsche	579	+	19	Accor	[illegible]	–	[illegible]
Falls				[illegible]	[illegible]	–	19
Mannheim	680	–	10	Legris	[illegible]	–	15
Philips Kom	600	–	15	Spie Batig	340	–	11.7
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Centocorp	51⅝	+	1¼	Nippon Carbon	2840	+	[illegible]
Vestar	15½	+	3¼	[illegible]	[illegible]	+	190
Falls				[illegible]	1110	+	110
AMR	60⅛	–	[illegible]	[illegible]	[illegible]	+	56
IBM	90¼	–	1	[illegible]	[illegible]	+	130
Ph Morris	[illegible]	–	[illegible]	Toyo Tire	880	+	75
UAL	125¼	–	4¼				

New York prices at 12.30pm.

LONDON (Pence)							
Rises				Mid & Scot Res	32	–	8
Bass	959	+	36	NatWest Bank	265	–	10
Costain	59	+	8	[illegible]	112	–	[illegible]
Grand Met	845	+	21	[illegible]	[illegible]	–	17
[illegible]	514	+	23	RTZ	[illegible]	–	28
Rentokil	380	+	[illegible]	Rank Org	582	–	19
Siebe	493	+	[illegible]	[illegible]	[illegible]	–	6
Whessoe	204	+	[illegible]	Savills	[illegible]	–	5
Falls				Trafalgar Hse	[illegible]	–	[illegible]
Cannon St Invs	20	–	58	Try Group	39	–	[illegible]
Elliott (B)	[illegible]	–	[illegible]	[illegible]	273	–	17
[illegible]	108	–	11				
Lonrho	177	–	23				

Accor told to lift Wagons-Lits bid

By Andrew Hill in Brussels

A BELGIAN court yesterday [illegible] Accor, the French hotels group, to [illegible] its FFr2.2bn ($390m) bid for Wagons-Lits, the Franco-Belgian travel company, by as much [illegible] FFr1bn.

In a decision likely to have far-reaching implications for minority [illegible] across Europe, the [illegible] commercial court ruled that Accor [illegible] its bid partner, Société Générale [illegible] Belgique, had taken [illegible] of Wagons-Lits in [illegible] 1990, when they bought a 26 per cent stake at BFr12,500 a share.

The two companies launched their joint bid for [illegible] Franco-Belgian [illegible] two months [illegible] a share.

Accor, La Générale and Caisse [illegible] Depôts [illegible] Consignations, the French state-owned financial group with a 28 [illegible] have all appealed against the ruling, which [illegible] the bidders to pay the increased price [illegible] the minority shareholders [illegible] lodged the complaint.

The Commission Bancaire, the Belgian takeover authority, is expected to tell Accor to extend the offer to all the outstanding minority shareholders, who could hold as much as 40 per cent of the 4m Wagons-Lits [illegible] in issue.

The commission – which approved [illegible] original Accor/La [illegible] – should clarify the [illegible] before 4pm today, when [illegible] bid is [illegible] close. Wagons-Lits shares [illegible] suspended yesterday in Brussels [illegible] BFr8,890. Accor's shares slipped FFr20 to FFr640 in Paris.

The ruling [illegible] welcomed by [illegible] minority shareholders as a blow against exploitation by larger investors. [illegible] Eric Coppieters – head [illegible] the investor consultancy group Deminor, one [illegible] the complainants – said: "We hope that [illegible] market will take [illegible] inequitable treatment of shareholders can be punished, and that minority [illegible] professionals [illegible] defend their interests."

The decision [illegible] particularly [illegible] for another complainant, Sodexho, the French catering group. It was edged out of a [illegible] erful position [illegible] Wagons-Lits [illegible] La Générale and Accor bought in, and reduced its stake in [illegible] from [illegible] per cent to 5 per cent.

The third main complainant [illegible] Saudi Arabian investor Rolaco. Small shareholders began their action [illegible] month when a group [illegible] disgruntled institutional investors demanded [illegible] information from the bidders.

Accor provided the information last [illegible] – under threat of a [illegible] fine – [illegible] it was [illegible] as ammunition in the latest in-depth examination of [illegible] bid, began on Friday.

Norway acts to aid bank with NKr5bn

By Karen Fossli in Oslo

CHRISTIANIA BANK, Norway's second-biggest bank, [illegible] a NKr5.14bn [illegible] injection. However, the bank warned yesterday that it would [illegible] up [illegible] NKr3bn in additional state support during the first quarter of next [illegible].

The [illegible] share capital [illegible] preference capital was wiped [illegible] by huge credit losses [illegible] it [illegible] forced [illegible] declare itself technically insolvent [illegible] October 14 [illegible] year.

Under [illegible] terms of [illegible] complex deal worked [illegible] between Christiania Bank [illegible] the state-operated Bank Insurance Fund, the bank's nine-month net [illegible] will be reduced [illegible] from NKr7.33bn.

The injection [illegible] Christiania's shares have been written down [illegible], and its preference capital [illegible] written off [illegible].

[illegible] will leave [illegible] with NKr2.75bn [illegible] fresh share capital, boosting [illegible] capital adequacy to 8 per cent and leaving [illegible] as full [illegible] the bank.

However, [illegible] state-operated fund has engaged Arthur Andersen, [illegible] auditing firm, to [illegible] value can be [illegible] from [illegible] bank's [illegible] report on this will be completed by next Monday.

The deal has delivered some cruel blows [illegible] Mr Borger Lenth, Christiania's [illegible] president, who has battled with finance authorities [illegible] past [illegible] months to convince them [illegible] bank's shares should [illegible] written down [illegible] a symbolic value.

Mr Lenth believes this would allow the bank to remain attractive to some private [illegible] and make [illegible] easier eventually to return [illegible] in private hands. Also, the bank's board had [illegible] injection [illegible] NKr6.5bn, [illegible] only [illegible].

The [illegible], however, has offered existing [illegible] an option until June 1, 1992, to buy up to 25 per cent of its Christiania [illegible] or 27.5m shares, [illegible] par [illegible] of NKr25 [illegible].

The bank and the Oslo [illegible] are working [illegible] the form in which [illegible] purchase option can [illegible] listed on [illegible] stock exchange.

Christiania was [illegible] from [illegible] bourse in [illegible] when it became insolvent.

The deal is contingent on approval by the [illegible] general assembly, which has been [illegible] to an extraordinary meeting on December 18.

Andrew Taylor on the continuing problems facing UK construction

Cracks widen in the building business

Share prices [illegible] British [illegible] struction and building material companies [illegible] taken fright in the past few days following fresh warnings of dividend cuts, large provisions [illegible] cover declining property [illegible] and sharply lower profits.

Bad news continues [illegible] of [illegible] with no sign [illegible] loosening [illegible] grip on [illegible] commercial property [illegible].

The [illegible] in [illegible] prices [illegible] prompted by an announcement on Friday by Y.J. Lovell Holdings, a housebuilder and property developer, that [illegible] had breached [illegible] in [illegible] bankers.

The group [illegible] a [illegible] ($109.7m) provision, larger [illegible] expected, [illegible] said [illegible] would not pay [illegible] for [illegible] months [illegible] end [illegible] September – and this [illegible] raising [illegible] from a rights issue in April.

Lovell's [illegible] price, which [illegible] beginning of April stood at [illegible] equivalent [illegible] 205p, had [illegible] last night [illegible] just 22p.

The London stock market, already jittery [illegible] prospects [illegible] the construction industry [illegible] down [illegible] building stocks amid warnings of further [illegible] failures, [illegible] cial restructuring, redundancies and plant closures in the [illegible].

Sentiment has not [illegible] by the announcement on [illegible] day by Trafalgar [illegible] of a £143.7m [illegible] in the [illegible] of its properties, [illegible] warning [illegible] may [illegible] to [illegible] its final dividend.

Sir Clifford Chetwood, chairman of Wimpey, the contractors [illegible] Britain's second-largest housebuilder, said: "I have [illegible] in [illegible] industry for [illegible] the [illegible] conditions I [illegible] experienced."

The Building Employers Confederation estimates that [illegible] next summer the industry will shed [illegible] jobs.

[illegible] worrying [illegible] that [illegible] still no sign of any recovery in the UK housing market after 12 months of falling interest [illegible] and more than three years after the market [illegible] recession.

Tarmac, the country's biggest [illegible], said this week that trading conditions had deteriorated substantially during [illegible] months. Mr Bryan Baker, group managing director, said continued falls in new [illegible] prices [illegible] provisions.

He blamed price falls [illegible] large [illegible] of [illegible] repossessed by building [illegible] banks during the recession and sold at discount. Builders expect 80,000 repossessed homes to come on to [illegible] are [illegible] to hold stocks of at [illegible] unsold homes.

This overhang will continue to hit new house sales [illegible] the [illegible] begins [illegible] forecasters expect recovery [illegible] delayed until [illegible] half [illegible] year, [illegible] general election, and [illegible] improvement in [illegible] will be [illegible] best. [illegible] unlikely to see [illegible] improvement until 1993.

Any hopes, therefore, [illegible] construction sector might lead the UK [illegible] of recession should have been dispelled long ago. [illegible] days when government could [illegible] growth through large public housing programmes are over.

The extent to which construction investment depends [illegible] private [illegible] houses, offices, shops, [illegible] and warehouses, [illegible] substantially. [illegible] year, only a quarter [illegible] construction [illegible] publicly compared with [illegible] per cent in 1980 and almost [illegible] per [illegible] in 1970.

C[illegible] and [illegible] mercial developers as property markets soared in [illegible] mid-1980s. They [illegible] helped by de-regulation [illegible] UK financial services industry which eased [illegible] availability [illegible] support investment.

However, a combination of high interest [illegible] and over-building [illegible] few buyers and [illegible] chasing [illegible] many empty properties as markets turned down sharply.

Construction companies which [illegible] taken [illegible] large [illegible] finance [illegible] housing and property developments have been squeezed [illegible] as they have [illegible] required to finance increased [illegible] payments from lower revenues.

Costain, [illegible] construction, property [illegible] mining [illegible], in a bid [illegible] reduce borrowings, yesterday [illegible] most [illegible] its commercial property portfolio for [illegible]. Other companies have not been [illegible] take the strain. The biggest company to [illegible] in [illegible] receivers was publicly quoted Turriff.

The group, once one [illegible] Britain's best known construction companies, [illegible] bank [illegible] including off-balance sheet borrowings, of £14.5m compared with shareholders funds in its [illegible] just £9.76m. Last year Turriff announced provisions of £2.08m against [illegible] housebuilding and joint venture property operations.

The outlook for [illegible] looks [illegible] better, prompting [illegible] in construction share prices. An absence of provisions next [illegible] will help profitability if property prices do [illegible] further.

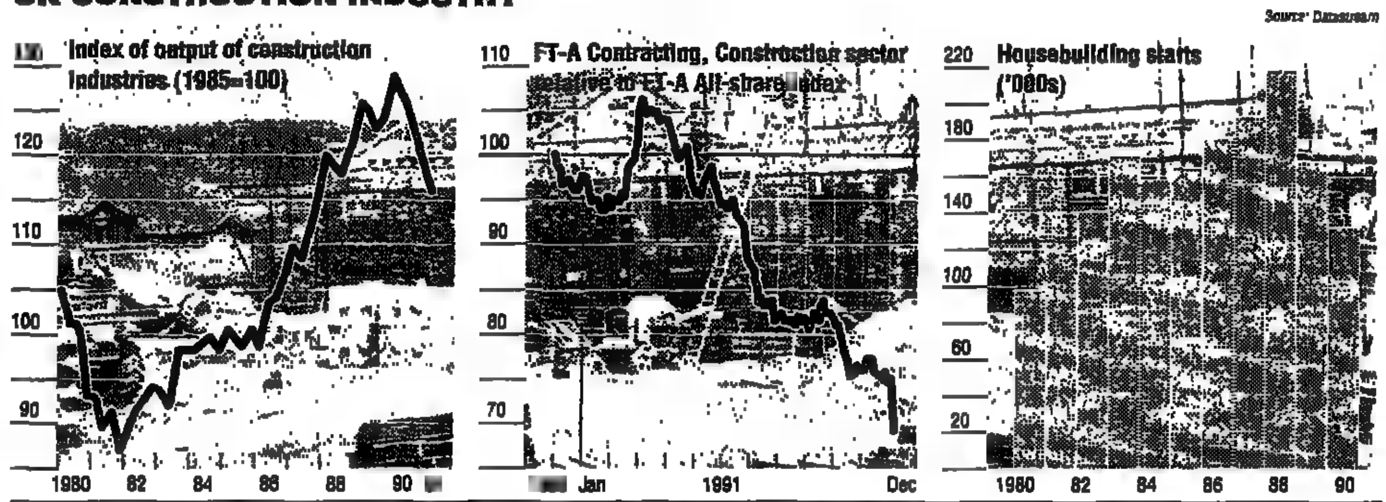
The housing market is likely [illegible] recover slowly [illegible] in the commercial property [illegible] is at [illegible] 18 [illegible] away. [illegible] in general contracting, given [illegible] shortage of [illegible] commercial projects coming [illegible] stream, are [illegible] paper-thin [illegible] non-existent, say [illegible].

The only comfort is [illegible] found in higher investment in [illegible] construction and maintainance and [illegible] capital [illegible] by the recently privatised water authorities. The increase, however, will not be [illegible] to offset the [illegible] falls in private commercial construction.

The latest forecasts by the National Council of Building [illegible] Producers suggests total construction output in the UK will fall [illegible] per cent this year and 4.5 [illegible] next year. Output [illegible] not expected to [illegible] until 1993 and by only 2 [illegible] cent.

[illegible] results, Page 21

UK CONSTRUCTION INDUSTRY



Hanson advances 3% to £1.3bn on strength of new acquisitions

By Roland Rudd in London

HANSON, the Anglo-US conglomerate, yesterday reported a [illegible] per [illegible] in pre-tax profits [illegible] £1.31bn from [illegible] on sales of £7.7bn ($13.6bn) from £7.2bn in the year to September 30 1991.

For the [illegible] time [illegible] broke down trading profit by [illegible] and geographical location. [illegible] rose 2½p to close [illegible] 199½p in London.

Acquisitions [illegible] Lord Hanson, chairman, [illegible] announce the [illegible] of profit growth, prompting analysts [illegible] how [illegible] sustained without [illegible] significant new [illegible] over.

Lord Hanson said the group's [illegible] agreed bid for Beazer, [illegible] would [illegible] profits, although the expected improvement in the construction industry is y[illegible].

Lord Hanson, referring [illegible] per [illegible] acquired [illegible] ICI [illegible] May, said: "We [illegible] time [illegible] ICI [illegible] undervalued, with significant scope for enhancing [illegible] value, a challenge which [illegible] has [illegible]. On our shareholders' behalf, [illegible] ICI's [illegible] largest shareholder, we shall continue [illegible] monitor [illegible] performance [illegible] interest."

The group's [illegible] said yesterday they [illegible] a bid for ICI was now unlikely.

Lord White, [illegible] of Hanson Industries in [illegible] US, [illegible] larger acquisitions [illegible] "undervalued asset-rich companies" [illegible] under consideration.

The inclusion of the Cavenham [illegible]try business and [illegible] body coal [illegible] in the US companies accounting for half [illegible] trading profit. Lord [illegible] that while the US economy remained "sluggish" [illegible] prospect of a [illegible] until [illegible] next year.

The group [illegible] cash [illegible] £7.7bn, with a positive trading cash flow of £361m before [illegible] and [illegible] activities. Following [illegible] Beazer acquisition, yesterday declared unconditional, the enlarged company's total [illegible] will be [illegible] £1bn.

Following [illegible] movements in the UK [illegible] the US, Lord Hanson [illegible] interest income would [illegible] in the [illegible]. However, he was confident the strong balance sheet and [illegible] flow would put it in a good position [illegible] take advantage of opportunities in [illegible].

Fully diluted earnings per share increased [illegible] 20p (19.6p). The board [illegible] recommending a final dividend of 7.85p, making a total of 11p.

Lex, [illegible] 16; Details, [illegible] 21

Ford to shake up Jaguar board

By Kevin Done, [illegible] Industry Correspondent, in London

FORD, the US carmaker, will announce today a reorganisation of the top management of Jaguar, [illegible] loss-making UK luxury car subsidiary.

Mr [illegible] Scheele, president [illegible] managing director [illegible] Ford [illegible] Mexico, becomes vice chairman from January 1, in what is [illegible] to [illegible] a preliminary [illegible] taking [illegible] chairman and [illegible] later in the year.

Mr Bill Hayden, the Ford executive who led the US carmaker's transition [illegible] at Jaguar following [illegible] ($2.7bn) takeover [illegible] the end of 1989 and who replaced Sir John Egan as Jaguar chairman and chief executive early last year, is expected [illegible] retire in [illegible] spring next year.

Mr John Grant, appointed Jaguar deputy chairman by [illegible] the beginning of 1990, is to return to an unspecified post with Ford in the US. Mr Hayden, [illegible] who underwent heart surgery last year, has led Jaguar through its first two [illegible] under [illegible] ownership.

Jaguar [illegible] run up heavy [illegible] and cut [illegible] workforce by about a third this year following declining [illegible].

Ford, which paid heavily for the acquisition, chiefly for the the Jaguar name, has been dismayed at the condition of Jaguar's manufacturing facilities and [illegible] engineering operations.

Mr Hayden, the former manufacturing vice-president of Ford of Europe, has begun a far-reaching restructuring of the Jaguar operations.

He pushed through a labour reform package [illegible] last year and [illegible] improved [illegible] quality of Jaguar products.

[illegible] led the development [illegible] 10-year [illegible] plan for Jaguar aimed at more than tripling its annual production to [illegible] 150,000 cars by [illegible] of the [illegible] compared with a peak output of [illegible] in 1988.

Jaguar's output this year [illegible] expected [illegible] fall 40 per cent [illegible] than 25,000, [illegible] lowest since [illegible].

In spite [illegible] financial pressures Jaguar is pressing ahead with its new model development programme, expected to lead to the launch of replacements for its [illegible] luxury saloon and XJS coupe [illegible] in the mid-1990s and a smaller sports saloon in [illegible] late 1990s.

Mr Hayden said Mr Scheele would lead implementation [illegible] Jaguar's "[illegible] new product plans [illegible]."

Mr Scheele, 47, was appointed managing director [illegible] Ford [illegible] Mexico in [illegible].

INTERNATIONAL COMPANIES AND FINANCE

Ruling expected on bids for Au Printemps [redacted] Exor

By William Dawkins in Paris

FRENCH STOCK exchange regulators were meeting [redacted] night to decide on the fairness of controversial two-thirds bids for Au Printemps, the Parisian department store, and for Exor, a holding [redacted] that [redacted] Source Perrier, the min[redacted] brand.

Their [redacted] expected this morning, will [redacted] the current [redacted] in [redacted] whether [redacted] change takeover [redacted] in line with [redacted] UK, [redacted] give minority shareholders [redacted] treatment. Analysts [redacted] that difficulties [redacted] by minority shareholders in [redacted] French companies might contribute [redacted] the decreasing importance of [redacted] equity market.

Under the present system, [redacted] buyer acquiring [redacted] than 33 per cent of [redacted] company's shares, [redacted] or in concert, must launch [redacted] bid for 66 per cent. A full bid is triggered when the 50 per cent threshold is passed.

In the UK, a full bid is triggered once [redacted] buyer touches 30 [redacted] Commission proposes this system in its draft directive on European takeovers.

Minority shareholders in Au Printemps, represented by Mr Georges Berlioz, a Parisian lawyer, believe Pinault should launch a full bid.

They have complained to the Conseil des Bourses de Valeurs (CBV) on the grounds that the block of shares Pinault bought recently used to carry more than 50 [redacted] votes, because of double voting rights which [redacted] made to expire before the transaction was completed.

Minorities in Au Printemps would see any shares they tendered to [redacted] offer scaled down. Analysts also point to the risk of a share price decline after the offer, due to the reduced liquidity in the market for Au Printemps' equity.

Exor's minority shareholders, which include some [redacted] France's biggest institutional investors such [redacted] financial and industrial holding group, [redacted] that control [redacted] changed hands [redacted] unfairly low price.

Mr [redacted] Bérégovoy, [redacted] finance minister, [redacted] to attracting rather than hindering foreign [redacted] in France. But he [redacted] admitted concern [redacted] position of minority [redacted] under current takeover rules and hinted that [redacted] change would be possible if the [redacted] authorities and quoted companies agreed.

Overseas sales lift Seagram

By Robert Gibbens in [redacted]

SEAGRAM, [redacted] Canadian international drinks [redacted], yesterday reported an [redacted] per cent rise in third-quarter operating profits. The company attributed [redacted] improvement [redacted] better spirits and wine busi[redacted] North America.

Seagram, which reports in [redacted] dollars, posted beverage operating profits [redacted] the three months [redacted] of [redacted] against [redacted] a [redacted] earlier, on sales [redacted] slightly [redacted] $1.5bn.

After including [redacted] from its 24.5 per cent interest in Du Pont, the US [redacted] and equity in [redacted] itted earnings, Seagram's net profits rose to $193m, or $2.02 a share, against $189m, or $2.01 a [redacted]. Du [redacted] dividends [redacted] higher, but its [redacted] itted earnings fell.

Tropicana, the US fruit juice, [redacted], reported higher sales. However profits [redacted] by high fruit costs and investments for expansion.

Nine months' beverage operating income slipped to $491m from $499m on sales of $4.28bn against $4.20bn.

Final [redacted] profits after Du [redacted] were [redacted] or [redacted] a share, [redacted] or [redacted] a share. Average shares outstanding were 95m [redacted] 93.7m.

Seagram attributed this [redacted] in net profits to lower equity in unremitted Du Pont [redacted] plus Du [redacted] dividends equalled [redacted] a share, against $3.63.

The [redacted] exclude [redacted] liquor [redacted] being [redacted]pleted later this month. Analysts [redacted] Seagram's profit will equal $2 a share in the fourth quarter.

Du Pont extends cost-cutting plans

[redacted] Karen Zagor in New York

DU PONT, [redacted] biggest US chemical company, plans [redacted] cut [redacted] additional [redacted] structure in [redacted] years, on top [redacted] $1bn [redacted] cost-cutting [redacted] announced [redacted] this year.

Wall [redacted] favourably [redacted] the news, marking Du Pont's shares $1⁄4 higher [redacted] $47⅞ at mid-day. Shares in Seagram, which holds about [redacted] per [redacted] Du [redacted] com[redacted] stock, eased $1⁄4 [redacted] on [redacted] York [redacted] Exchange.

The company has not said how many jobs will be eliminated under [redacted] wider cost-cutting plans.

Mr John Garcia, an analyst at Wertheim Schroder, said: "It's not often that a company of this size and quality goes through this kind of exercise. This is a major change in Du Pont's culture. The company has gone from being a paternalistic, bureaucratic machine that was very strong in technology but had mediocre returns and little regard for profitability. It is now looking to its profits as well as technology."

Du Pont, like most chemical companies, [redacted] been [redacted] by [redacted] sluggish economy, declining worldwide demand for chemicals and [redacted] on prices from industry overcapacity.

In [redacted] nine months [redacted] 1991, [redacted] earnings fell about 10 per [redacted] $1.64bn, [redacted] a share, on flat sales of $28.9bn. The [redacted] of goods sold and other expenses was $20.8bn.

Du Pont is not alone in its restructuring moves. Monsanto and Union Carbide [redacted] also taken advantage of the recession in the industry to implement cost-cutting measures.

[redacted] plans to close two m[redacted] of its breweries

By Philip Rawstorne in [redacted]

BASS, the UK's biggest brewer, which closed two breweries earlier this year, is to close another two – at Edinburgh and Sheffield – by the end [redacted] 1994 [redacted] drive to improve [redacted] efficiency.

The move, which will lead to [redacted] loss of [redacted] jobs, [redacted] announced yesterday as a strong performance by its brewing operations enabled the group to limit the decline in pre-tax profits in "the most difficult trading year for a decade" to 5 per cent.

The £508m ($900m) result, which included a £55m provision for the cost of the brewery closures, matched the most optimistic forecasts in the City of London. Sentiment was helped by news that the group plans a share split and the repayment of its £6.6m preference shares at a premium of over [redacted] the market. [redacted] 36p higher [redacted]

Closure [redacted] breweries at Runcorn and Birmingham this year had cut costs by £2 a barrel across the group's entire [redacted] production, Mr Ian Prosser, chairman, said. "[redacted] are determined to drive for the lowest cost base in our businesses and see more opportunities for rationalisation."

The Heriot brewery in Edinburgh will close with the loss of 110 jobs next autumn when its operations will be transferred to Wellpark brewery in Glasgow. Hope brewery, Sheffield, will close in 1994, with the loss of 200 jobs.

Brewing and packaging of Bass Export will be transferred from Glasgow to Cape Hill, Birmingham, where a £50m investment programme will improve the production of specialist, niche brands. About 50 jobs will be created at Birmingham, but there will be a phased reduction of 150 in the Glasgow workforce. Further job losses will follow in the distribution network.

Mr Prosser said the group, which is seeking to strengthen its premium lager portfolio, plans £500m of capital investment this year.

Lex, Page 16
Details, Page 24

State groups queue for the sales

Peter Bruce looks at Spain's plans to offset [redacted] runaway budget deficit

What was just [redacted] faint possibility a year ago has suddenly become [redacted] priority on [redacted] list fluttering around [redacted] long corridors of [redacted] Spanish ministry of finance.

The list contains the names of state-owned companies whose stock the ministry wants to sell on local and international markets next year to face off [redacted] potentially [redacted] overrun on its planned Pta1,000bn [redacted] budget deficit.

The companies include Repsol [redacted] Banco Exterior. Other possible names [redacted] Endesa, the [redacted] electricity utility; Telefonica, the telephone monopoly; and Tabacalera, the virtual tobacco monopoly.

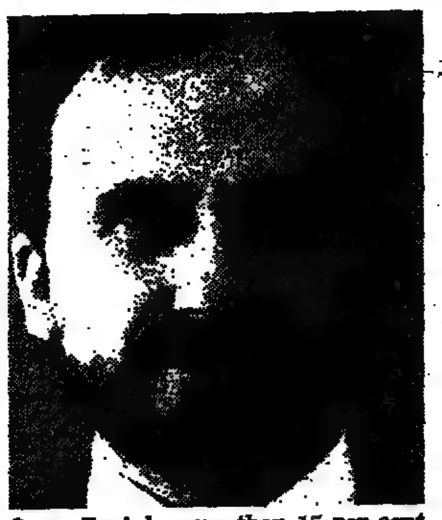
Repsol, the state's profitable and meticulously nurtured energy conglomerate, is first in line. Its president, Mr Oscar Fanjul, said recently the state wanted to place more than 15 per cent of the company early next year, cutting its stake to below 50 per cent to raise [redacted] Pta120bn.

Spain's budget [redacted] the reason. Inflation [redacted] set to rise again early in 1992. This will probably reverse this year's gentle fall in interest rates. Company profits are falling, along with tax income. That alone makes the 1992 budget deficit – [redacted] per cent of GDP – too optimistic, say independent economists. This year's deficit was supposed to be Pta513bn, or 0.9 per cent of GDP, but overspending has [redacted] than doubled it.

So the sudden enthusiasm for floating [redacted] of Repsol is not surprising. The company is liked in the markets and the flotation of 26 per cent in 1989 was [redacted] stunning [redacted] raising nearly $1bn. [redacted] then it [redacted] generated consistent profits and it [redacted] buying up most of Spain's gas companies to form a new utility.

[redacted] Repsol and the [redacted] for partial privatisation would probably [redacted] in the markets [redacted] if they were run by first-year [redacted]. The [redacted] has packed them with succulent assets and large [redacted] of [redacted] markets.

[redacted] motorists in Spain [redacted] little choice but to fill their tanks at Repsol service stations.



Oscar Fanjul: more than 15 per cent of Repsol will be sold early next year

Endesa, which last year made [redacted] $1bn net profit, has been encouraged to swallow private-sector utilities which would have faced the wrath of the regulator – the state – had they put up a fight.

Tabacalera's old, state-sanctioned domination of tobacco distribution and manufacture is unlikely to be broken by European Community deregulation; and Banco Exterior has just been made the lead institution of the state's new financial holding company, giving it control of the post [redacted] savings bank and the state's mortgage, municipal and farm banks.

The formation of the Argentaria Corporacion Bancaria de España has handed more than 20 per cent of the Spanish mortgage market and 36 per cent of credit business with the public sector on a plate to Exterior and its president, Mr Francisco Luzon. He says about 20 per cent of Exterior could be floated next year. That would raise about Pta70bn.

The markets are in [redacted] poor state and may not be able to receive the kind of flotations being talked about. Mr Fanjul leaked Repsol's plans to the markets last week, leaving Mr Luzon at Exterior to make a more leaden reference this week.

At the finance ministry, officials confirm a list exists, but insist the sales depend on the markets being able to absorb them. Depending on how the economy performs, they may have no choice.

If Telefonica and Endesa are on the list, they would be lower down. While Repsol's profits are being squeezed by heavy investments and poor results in its chemicals division, and while Banco Exterior's income is likely to slow along with the rest of a sluggish domestic bank climate next year, both Telefonica and Endesa pass on handsome dividends to the state.

Government officials say an early flotation of more of Tabacalera is unlikely.

The company is still being stacked and restacked with assets as preparation for a sale. The management – so punch-drunk it no longer informs the business press of its considerable profits – has, at government behest, changed presidents and strategies three times in as many years.

Starting in 1988, it began diversifying into foods and retailing. But the food assets it "bought" from the state poisoned its accounts and it has tried to get rid of them, to concentrate on tobacco. The agriculture ministry would not accept the French-led prospective buyers, and Tabacalera is still stuck with half a dairy company it does not want.

When Ferruzzi tried to buy one of the last Spanish-controlled edible oils groups, Elosua, last spring, the ministry blocked it on the grounds that olive oil was somehow a strategic sector. Tabacalera is now being fixed up to control Elosua.

It may take some time for Tabacalera and its political masters to decide whether they want a company that makes cigarettes or dresses salads. However the government is clearly hoping that its need to sell some assets and the desperation of market intermediaries to have something to sell may actually help create a market.

Groupe Bull seeks US links

By Alan Cane

[redacted] BULL, [redacted] loss-making French computer maker, [redacted] in [redacted] number [redacted] technology companies which [redacted] a technological partnership and, eventually, [redacted] closer relationship involving equity investment.

The discussions, which [redacted] describes as "serious," involve IBM, [redacted] world's largest computer maker, Digital Equipment, the world's [redacted] minicomputer [redacted] and Hewlett [redacted]

[redacted] of an [redacted] to share [redacted] a new [redacted] called "[redacted] set computing (risc)" which is important for [redacted] is expected before the end of January.

[redacted] indicate, however, that a technology partnership is only the first [redacted] tionship that could lead [redacted] equity [redacted]

Bull confirmed [redacted] yesterday by saying it was talking with "suitors". The [redacted], which [redacted] owned by [redacted] French government, lost over FFr6bn ($1.08bn) last year and has been seeking [redacted] partner to share [redacted] costs [redacted] research, development and marketing for some [redacted]. Earlier [redacted] the year there were [redacted] IBM [redacted] be in[redacted] in [redacted] but [redacted] then discus[redacted] potential partners.

The [redacted] companies [redacted] Groupe Bull are all [redacted] the Open Software Foundation, an organisation of leading computer companies developing [redacted] or "open" [redacted] mid-range computers.

The discussions also indicate that Bull's relationship with Mips, a US company specialising in risc systems, is cooling.

The French government would welcome a partner for Bull; the law has recently been changed making it possible for foreign companies to invest in state-owned organisations.

NEC, the Japanese company which provides Bull's mainframe systems, hold a 5 per cent stake in the company; the suggestion is that there would be support for US investment to give the company credibility in each of its principal markets.

Treuhand to sell Minol and Leuna

By Leslie Colitt in Berlin

MINOL, the eastern German oil company, is to be sold before the first quarter of next year in a package with the ailing Leuna chemical works.

Mr Klaus Schucht, an executive board member of the Treuhand, the government agency in charge of privatising former East German assets, said selling off the chemicals industry was urgent.

Two groups are bidding for the Minol-Leuna package, in a sale being managed by Goldman Sachs, the investment bank.

A consortium consisting of [redacted] Handelsunion, Deutsche SB-Kauf and Elf, the French oil [redacted], has agreed to invest more than DM5bn ($3.09bn) in Minol and the obsolete Leuna works. Deutsche SB-Kauf is a low-price petrol station chain favoured by the Treuhand, which wants to increase competition in an east German market dominated by Minol.

The second consortium comprises BP, Total, Agip, Statoil and OMV, with Metallgesellschaft and Kuwaiti interests. It would be prepared to sell part of the petrol station network to independent operators.

The Leuna refinery, with a capacity of nearly 7m tons, is inter-connected with the obsolete Leuna chemical complex, which is linked by corroded product pipelines to other east German chemical producers. The Treuhand is expected to assume responsibility for debts and environmental damage.

Viag forecasts record results

By Christopher Parkes [redacted] Bonn

[redacted] AT Viag, [redacted] conglomerate, will [redacted] by 25 per cent this year to DM25bn ($15.5bn) [redacted] profits will jump to more than DM400m from DM336m, according to Mr Georg Obermeier, finance director.

"Even in a difficult [redacted] can [redacted] a record result," [redacted] said, adding [redacted] dividend [redacted] 1991 would be [redacted] by 50 pfennigs, [redacted] ninth [redacted] in succession, to DM9.

Mr Obermeier gave his forecast while presenting the offi[redacted] for [redacted] first nine months of [redacted] year. Thanks mainly [redacted] contribution [redacted] DM32m from the newly-acquired packaging concern, Continental [redacted] Europe, turnover increased 26 per cent to DM18.2bn, producing profits [redacted] compared with [redacted]

The whirl [redacted] activity [redacted] acquisition which [redacted] the [redacted] by the [redacted] 60 per [redacted] in Viag in [redacted], and which [redacted] in the [redacted] following [redacted] continuing.

Announcing medium-term plans [redacted] float [redacted] per cent of two wholly-own[redacted] subsidiaries, [redacted] aluminium [redacted] VAW [redacted] group SKW, Mr Obermeier said: "We must dress up the [redacted] first."

VAW is to have [redacted] capital injection of DM42.5m and SKW [redacted] further DM28m. A capital increase [redacted] DM40m [redacted] also planned for the trading com[redacted] Viag owns jointly with Bayernwerk [redacted] Munich.

Viag has [redacted] DM3.4bn on its expansion [redacted] in [redacted] current [redacted] – more than double [redacted] expenditure.

Asked [redacted] Klöckner 20 per [redacted] in [redacted] (unrelated) Klöckner-Werke [redacted] business, [redacted] subject [redacted] speculation during [redacted] tussle between Krupp and Hoesch, Mr Obermeier said the possibility of a partnership was not excluded.

Theft of luxury [redacted] costs Colonia DM43.5m

[redacted] Christopher [redacted]

THE THRIVING export trade in luxury cars stolen in Germany and sold in [redacted] Europe [redacted] Colonia, Germany's second-largest insurance company, an [redacted]timated DM43.5m ($27m) in the first 10 months of [redacted] current financial year, according to Mr [redacted] Jäger, [redacted] chairman.

Following [redacted] of DM29m incurred by this new industry in 1990, Mr Jäger added, fully comprehensive car insurance [redacted] would ha[redacted] be increased from [redacted] by [redacted]

In [redacted] more traditional [redacted]ness, Colonia's premium income from the German market [redacted] around 10 per cent [redacted] during the period [redacted] review. Industrial [redacted] insurance business grew almost 24 per cent and transport cover by 15.5 per cent.

Dior flotation successful

By Alice Rawsthorn in Paris

THE FFr787m ($142m) flotation [redacted] Christian Dior, [redacted] most famous Paris [redacted] houses, [redacted] heavily over-subscribed, attracting 3.23m applications [redacted] 1.3m shares on [redacted] French public.

Dior's international placing was [redacted] over-subscribed. It [redacted] 2.4m applications [redacted] outside France for the 620,000 shares available.

The success of the Dior issue follows last month's successful [redacted] in [redacted] for [redacted] Local de France, the [redacted]trolled bank specialising in local authority loans. The Crédit Local issue is the first flotation in the French [redacted]ment's partial privatisation programme.

Dior, which was founded in [redacted] of the luxury [redacted] groups [redacted] by Mr Bernard Arnault, who [redacted] LVMH, [redacted] drinks and fashion conglomerate [redacted] Dior [redacted] a significant holding through [redacted] its investments. [redacted] Dior management has for some time been [redacted] sell some of the company's shares [redacted] give institutional investors a chance [redacted] part [redacted] their equity.

Christian Dior, which pro[redacted] the Dior ready-to-wear and [redacted] collections, as [redacted] indirectly owning [redacted] LVMH investment, will join [redacted] growing number of luxury goods groups quoted on [redacted] French stock market including Yves St Laurent, which, two years ago, [redacted] first [redacted] fashion [redacted] go public.

Trading in [redacted] sold [redacted] public [redacted] and international placing [redacted] capitalising Dior at FFr12.9bn, starts in Paris today.

هكذامن الأصل

Treasuries rise on evidence of weak economic data

By Richard Waters in London and Karen Zagor in New York

US Treasuries were lifted yesterday morning by further evidence of economic weakness which gave more fuel to speculation that the Fed will ease monetary policy once more this year.

At mid-session, the Treasury's bellwether 30-year bond

GOVERNMENT BONDS

was 1/32 higher [redacted] 101 1/32, yielding 7.58 per [redacted]. Shorter-dated maturities posted slimmer gains, of about 1/16-point, but attracted more buyers as investors became increasingly bullish about the prospects of an imminent easing of monetary policy.

[redacted] Federal Reserve arranged $1.5bn of [redacted] repurchase agreements [redacted] Fed funds [redacted] changing hands [redacted] 4¾ per cent.

The market was encouraged by the release of weak third-quarter GNP and GDP figures yesterday morning. The market had expected an upward revision in GNP to 2.9 per cent from 2.4 per cent, but instead there was [redacted] downward revision to 2 per cent.

Excluding [redacted] sharp upward revision in inventories, [redacted] would have been even weaker. The GDP figure was revised *from 2.5 per cent from 1.7 per cent.*

In addition, [redacted] Fed's Tan book survey of economic conditions added to the picture of a weak [redacted] by suggesting a "flagging momentum" in economic recovery in October and early November.

■ THE prospect of a possible rise in German interest rates today [redacted] dent European [redacted] markets, though [redacted] volatile [redacted] evi[redacted] by the reaction to confirmation that [redacted] Union is stopping principal repayments [redacted] its commercial bank creditors.

[redacted] continued tightening in short-term rates in Germany – yesterday the Bundesbank kept call rates [redacted] the Lombard rate of 9¼ per cent by draining cash from the market – *sent the market a clear* sign of the authorities' intention not to relax its monetary stance. However, most analysts said they did not believe this signalled a rise in the Lombard rate today, but that it would be postponed instead until the Bundesbank meeting of December 19.

The March bund futures contract, having opened at [redacted] traded as low as 86.124 during the day, but closed near its opening level. This was despite news late in the day that banks had received confirmation from the Soviet Vnesheconombank that it would halt debt repayments – a move described in some quarters [redacted] expected.

However, French [redacted] ment bonds, which [redacted] proved more volatile this week, appeared to react more sharply to the news from the Soviet Union, losing around a quarter of a percentage point in late trade. Traders said the French market was likely to remain nervous ahead of next week's Maastricht summit meeting.

■ UK government bonds consolidated their gains of earlier in the week on the back of reports that a significant [redacted] buyer had appeared in the market.

In a relatively quiet day – with around 18,000 futures contract traded – the benchmark bond due in 2003/2007 climbed from 112 1/32 to 112 25/32 on the day. The 10-year gilts put up for *auction last week had sold out* by yesterday, confirming the sharp change in market sentiment since fears of a sterling crisis less than a fortnight ago.

■ THE Japanese government bond market yesterday shrugged off better-than-expected figures for economic growth in the economy during the third [redacted] as investors [redacted] to look [redacted] nomic slow-down in [redacted] months ahead.

Despite [redacted] year rise of 1.6 per cent in the third quarter, announced yesterday, the market is still expecting bearish results from the official Tankan survey of industrial confidence, due next Tuesday. As a result, this week's rally in the [redacted] market remained undented. The benchmark No 129 [redacted], which [redacted] at a *yield of 5.785 per cent, closed in* Tokyo at 5.735 per cent, before climbing slightly in London trading.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	[redacted]	[redacted]	[redacted]	9.76	9.81	9.84
BELGIUM		9.000	06/01	99.0500	[redacted]	[redacted]	[redacted]	[redacted]
CANADA *		8.500	04/02	100.2000	[redacted]	8.47	8.64	8.59
DENMARK		9.000	[redacted]	99.8400	[redacted]	9.02	9.04	8.94
FRANCE	STAN	8.500	[redacted]	[redacted]	[redacted]	9.20	9.16	8.96
	OAT	9.500	01/01	[redacted]	[redacted]	8.98	[redacted]	8.80
GERMANY		8.25	[redacted]	99.5000	[redacted]	8.32	8.31	8.38
ITALY *		[redacted]	06/01	[redacted]	[redacted]	[redacted]	[redacted]	12.42
JAPAN	No [redacted]	[redacted]	06/99	99.4260	+0.171	6.07	6.22	6.21
	No 129	[redacted]	[redacted]	[redacted]	[redacted]	5.74	5.85	[redacted]
NETHERLANDS		[redacted]	03/01	[redacted]	[redacted]	8.85	[redacted]	8.80
SPAIN		[redacted]	07/96	99.8500	-0.050	[redacted]	11.99	[redacted]
UK [redacted]		[redacted]	[redacted]	[redacted]	+6/32	9.90	10.02	9.79
		10.000	02/01	[redacted]	+7/32	9.86	9.95	9.78
		[redacted]	10/08	[redacted]	+ [redacted]	9.59	[redacted]	9.57
[redacted] TREASURY *		[redacted]	11/01	101.7500	[redacted]	7.25	7.41	[redacted]
		8.000	[redacted]	101.2500	[redacted]	7.59	7.67	[redacted]

London closing. *New York morning session. Prices: [redacted] UK in 32nds, others in decimal

Yields: Local market standard. Technical Data/ATLAS Price Sources

UAL warns of record loss

By Nikki Tait in [redacted] York

UAL, [redacted] parent company of United Airlines, has warned it expects a record loss in the fourth quarter of 1991 and for the year.

Its prediction, which came as *part of its November* [redacted] statistics announcement, follows a gloomy prediction about fourth-quarter profits from American Airlines, another large carrier, and underlines [redacted] difficult conditions still facing [redacted] airline industry.

American has also said it will "probably" make [redacted] fourth-quarter loss.

UAL did [redacted] quantify the size of [redacted] loss, [redacted] blamed "the combination [redacted] a [redacted] domestic economy and a poor pricing environment" for its problems.

The presence of a number of financially-troubled carriers, *including several which have* sought bankruptcy protection, means that fare discounts continue to trouble the US airline industry.

United only made a slender $25m after-tax profit in the third quarter of 1991 and has posted a $79.3m net loss in the first nine months.

The second and third quarters of the year are traditionally the best traffic periods.

In 1990, despite the Gulf-related problems in the second half [redacted] the year, UAL made a $94.5m profit, helped by prop[redacted]rty asset disposal gains.

Its loss from earnings, however, totalled [redacted] last year.

This compares with operating profits of $464.5m in 1989 and $664.9m in 1988.

Pan Am misses last call as landmark's lights vanish

Nikki Tait reports on the emotional recriminations surrounding the grounding of the carrier's fleet

As storm clouds hung over Manhattan on Tuesday afternoon, anyone glancing down Park Avenue confronted [redacted] wall [redacted] mist. The lights of the Pan Am Building, normally a landmark sight over Grand Central station, had vanished.

It was fitting. Three miles down the road, a court hearing – which should have marked Pan Am's [redacted] from bankruptcy – [redacted] descend into bitter and [redacted] tional recrimination.

Delta Air Lines, billed as Pan Am's partner in its attempts to become a *smaller carrier servicing* Latin America, had decided to stop funding the airline's swingeing losses. Pan Am was [redacted] scrabbling for alternative *financing to try* [redacted] aircraft [redacted] the air.

Pan Am employees, [redacted] crammed [redacted] the packed and steamy courtroom, applauded furiously when Delta's 11th-hour retreat [redacted] by one lawyer as worthy of excori[redacted].

"They say: 'We love to fly' and it shows," he thundered, refering to Delta's advertising slogan. "Some of my colleagues have [redacted] that there is one "F" too many in that sentence."

There are three potential los[redacted] Tuesday's [redacted] The [redacted] is Pan Am, [redacted] 10,000 employees [redacted] unsecured [redacted]tors. The reorganised company would have guaranteed [redacted] 7,000 jobs, while [redacted] would have owned a 55 per cent equity stake – alongside [redacted] 45 per [redacted] Since the Latin American service has traditionally [redacted] a profit, this [redacted] offered the possibility [redacted] some future return.

Instead, Pan Am [redacted] forced yesterday morning to announce it was grounding its fleet – an outcome which had looked increasing [redacted] as *consumer confidence* [redacted] the carrier evaporated.

[redacted] is still possible that another airline might acquire [redacted] Latin American routes, [redacted] *only significant remaining* asset. Analysts believe United Airlines – which bid around [redacted] – is [redacted] obvious candidate, *although* [redacted] Chicago-based carrier [redacted] it.

But, even [redacted] Pan Am's heavily-underfunded pension liabilities and [redacted] multi-billion dollar claims against [redacted] rier render the [redacted] return for most [redacted] extremely slim. Employment prospects for many staff, [redacted] while, are [redacted].

The [redacted] loser may [redacted] – [redacted] carefully-cultivated, "squeaky clean" image looks badly tarnished by the whole affair. At the [redacted], *larger carrier never sought any* involvement in Pan [redacted] Latin American business; [redacted] trans-atlantic routes, [redacted] York base, and [redacted] all [redacted] transferred [redacted]

Glyn Genin

Grounded: Pan Am [redacted] Delta's [redacted] funding [redacted] carrier's [redacted]

[redacted] *only* [redacted] involved in [redacted] proposed [redacted]ganisation scheme [redacted] hard bargaining by [redacted] carrier's creditors.

But this element [redacted] deal worried analysts from [redacted] *contributing* [redacted] *a sharp* fall [redacted] price [redacted] to reduced [redacted] ratings. As long [redacted] as August, [redacted] Poor's, the US rating [redacted] was [redacted] the European route [redacted] could [redacted] "more than *offset* by the investment [redacted] a still-struggling [redacted] Am". As pessimism [redacted] US air[redacted] industry increased, and Delta faced [redacted] teething problems [redacted] Transatlantic service, [redacted] grew.

So, although the Atlanta-based carrier is emphatic it negotiated [redacted] good faith and it was [redacted] of [redacted] Am's deteriorating financial condition [redacted] week ago which prompted its withdrawal, accusations of sharp behaviour will fly. For a *company* [redacted] *prides* [redacted] *on* customer service and good employee [redacted] this [redacted] not the [redacted]

The final loser is the bank*ruptcy* [redacted] *The Delta-Pan* Am debacle [redacted] only weeks after Northwest Airlines left Midway, a Chicago-based regional carrier, in similar circumstances. *Northwest, having* acquired [redacted] attractive landing [redacted] in the first tranche of a deal with Midway, then walked away from the proposed *purchase of* [redacted] *bank*rupt carrier's remaining [redacted]

[redacted] lawyers pointed [redacted] Tuesday, both episodes highlight [redacted] serious problem for creditors in [redacted] bankruptcy process. If a potential buyer or investor [redacted] away from [redacted] "rescue" situation, [redacted] there is [redacted] money left [redacted] till [redacted] legal redress, isn't [redacted]

Perhaps the only redeeming element to [redacted] Am grounding is that some more capacity is finally squeezed from the US [redacted] industry. Three carriers – Eastern, Midway, and [redacted] Pan Am – have ceased operations during 1991. In [redacted], they spoke [redacted] per [redacted] market.

Confusion over ticket-holders

By Martin Dickson in [redacted] York

CONFUSION yesterday surrounded [redacted] of outstanding flight [redacted] by Pan [redacted] airline and [redacted] conflicting [redacted] *on the subject.*

Pan Am said that, as a result of [redacted] prior agreement with Delta, [redacted] expected [redacted] airline [redacted] provide [redacted] with service on comparable Delta flights, or on another carrier, or otherwise accommodate the holder.

Delta acknow[redacted] that it would honour [redacted] Am [redacted] issued before today on many of its routes – [redacted] long as [redacted] completed before [redacted] 16, with the [redacted] of the Cleveland-Detroit-London route, where there was no such time limit.

However, Delta does not fly on most [redacted] Pan Am's [redacted] remaining [redacted] in [redacted] and [redacted] Caribbean, and a Delta spokesman [redacted] Pan Am was wrong [redacted] it [redacted] provide flights on *another carrier or "otherwise* accommodate" the holder.

The indications [redacted] that [redacted] might honour Pan Am [redacted] on [redacted] they served. There [redacted] no immediate word from American Airlines, which has the most extensive Latin [redacted] route structure, but Continental, [redacted] flies [redacted] some Caribbean destinations, [redacted] it [redacted] Pan Am tickets.

Holders of Pan Am frequent flier "miles" – which are exchangeable for free air travel – will not lose them.

A Delta spokesman said the airline was obliged [redacted] honour them as part [redacted] its agreement to buy [redacted] Am's European routes.

In court documents [redacted] year, Pan Am said it *expected 15.3bn of the miles* accumulated in accounts by the end of 1990 and qualifying for free trips would ultimately be converted to tickets. It had accrued [redacted] by [redacted] year [redacted] cover the incremental cost of this.

● The US Department [redacted] Transportation said yesterday it would ask airlines to submit requests to take over Pan Am [redacted] on [redacted] emergency [redacted] reports from Washington.

The governm[redacted] wants the requests by the end [redacted] today, and could make [redacted] almost immediate decision.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:05 pm on [redacted] 4

[redacted] DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	[redacted]	104⅞	[redacted]	[redacted]	[redacted]
ALBERTA PROVINCE 9 3/8 95	[redacted]	108⅜	107⅝	[redacted]	[redacted]
AUSTRIA 8 1/2 00	400	105⅛	106⅛	[redacted]	[redacted]
BANK OF TOKYO 8 3/8 96	100	104⅛	104⅝	[redacted]	[redacted]
BELGIUM 9 5/8 98	250	111	111½	[redacted]	7.44
BFCE 7 3/4 97	150	103⅛	103⅞	[redacted]	6.95
BNP 8 5/8 94	300	105⅛	106⅛	[redacted]	6.24
BRITISH GAS 8 3/8 99	350	104⅛	[redacted]	[redacted]	7.51
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.66
COPENHAGEN TEL 8 5/8 96 LFr	600	[redacted]	[redacted]		9.22
WORLD BANK 8 96 LFr	1000	[redacted]	97½		9.09
ABN AMRO HOLDING 9 1/4 01 Fl	750	[redacted]	[redacted]		[redacted]
UNILEVER 9 00 Fl	500	[redacted]	[redacted]		8.52
ALBERTA PROVINCE 10 5/8 96 C$	500	[redacted]	106½	+⅛	[redacted]
BELL CANADA 10 5/8 99 C$	150	105½	105⅝		[redacted]
BRITISH COLUMBIA 10 96 C$	500	[redacted]	104½		[redacted]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC 5 1/2 00	100	90	90½	+1	7.04
EIB 6 1/2 98	600	98½	98⅝		6.78
ELEC DE FRANCE 7 1/4 06	100	101¼	102	+¼	7.10
FINLAND 5 3/8 95	150	93½	94⅛		7.34
GENERAL MOTORS 7 1/2 95	100	98½	100		8.01
JAPAN DEV BK 5 1/2 94	100	96	[redacted]		7.54
KOBE 6 3/8 01	240	96	96½	[redacted]	6.95
NEW ZEALAND 4 7/8 99	200	86	86¾		7.46
QUEBEC HYDRO 5 08	100	73½	74		7.95
WORLD BANK 5 03	150	84	84½		7.05
WORLD BANK 7 01	600	101⅛	101½	-⅛	6.79

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	98⅛	98⅝		5.71
CREDIT FONCIER 5 1/4 94	20000	98⅛	98⅝		5.94
DENMARK 7 95	40000	103⅛	103⅝		5.75
EIB 4 5/8 94	40000	97⅞	98		5.63
ELEC DE FRANCE 5 5/8 96	20000	99	99½		5.86
FINLAND 6 3/4 96	50000	102⅛	102⅝	-⅛	6.16
INTER AMER DEV 7 1/4 00	30000	107⅞	108⅛		6.03
KANSAI ELEC PWR 4 5/8 94	60000	96⅞	97⅛		6.04
NIPPON TEL & TEL 5 7/8 96	50000	99⅛	99⅝		5.99
NORWAY 5 1/8 95	50000	98⅛	98½	-⅛	5.71
SNCF 6 3/4 00	30000	104⅝	104⅞		6.02
SWEDEN 5 5/8 95	20000	98⅝	99⅛		5.99
WORLD BANK 6 3/4 00	50000	105⅛	105⅝	+⅛	5.94

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	[redacted]	Conv. price	Bid	Offer	Prem.
BURTON GROUP 4 3/4 01 £	110	2.38	125½	127¼	
CHUBB CAPITAL 6 98	250	86	101¼	102⅛	+30.12
DAI-ICHI KANGYO 3 7/8 04	300	3251.8	95¼	96¼	+14.49
EASTMAN KODAK 6 3/8 01	300	50.67	102	103	+9.96
GOLD KALGOORLIE 7 1/2 00	65	1.0554	78½	79½	+41.01
HANSON 9 1/2 06 £	500	2.5875	94½	95½	+24.12
HAWLEY 6 02 PREF	400	19.1	77	80½	
HILLSDOWN 4 1/2 02 £	150	3.97	115½	116	
LAND SECS 6 3/4 02 £	84	6.72	82½	83½	+17.21
LASMO 7 3/4 05 £	90	5.64	75½	[redacted]	+62.53
MITSUI BANK 2 5/8 03	200	2337½	86	[redacted]	+7.46
MOUNT ISA FIN 6 1/2 97	100	2.283	90½	[redacted]	+28.55
OGDEN 6 02	85	39.077	76½	[redacted]	+58.65
SMITH & NEPHEW 4 02 £	40	1.775	118½	119½	+56.09
SUMITOMO BANK 3 1/8 04	300	3606.9	74	75¼	+19.08
TEXAS INSTRUMENTS 2 3/4 02	300		87½	88⅞	
THORN EMI 5 3/4 04 £	103	[redacted]	117¼	118¼	+12.76

* No information available - previous [redacted] price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: [redacted] in [redacted] otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE B[redacted]: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share [redacted] conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most rec[redacted] price of the shares.

INTERNATIONAL CAPITAL MARKETS

Water companies to draw on fresh finance

Simon London asks whether the wrangle with regulators will increase funding costs

THE low profile [redacted] UK [redacted] companies in the [redacted] since privatisation is [redacted] to [redacted] as bond market investors are asked [redacted] finance a large chunk [redacted] the industry's [redacted] capital expenditure plans.

The increasing prominence of [redacted] companies as [redacted] makes the current debate [redacted] future regulation [redacted] companies of more than academic interest [redacted] the bond market.

The industry regulator, Ofwat, has proposed that the *companies* [redacted] *gearing* from an [redacted] of 35 [redacted] 50 [redacted] and [redacted] cent by [redacted]. It [redacted] that [redacted] finance [redacted] cheaper than equity [redacted] the total [redacted] of capital can [redacted] cut to 5 to 6 per cent (from 7 to [redacted] cent) by increasing the debt-to-equity ratio.

The [redacted] companies disagree. *In* [redacted] *to* [redacted] this week, they disputed [redacted] regulator's [redacted] capital calculations and argued that [redacted] pricing formula based [redacted] this lower [redacted] of capital will leave them unable to generate [redacted] *profits.*

The proposed changes [redacted] of [redacted] market investors for [redacted] main [redacted]

● [redacted] highly-geared [redacted] companies will almost certainly [redacted] of lower [redacted] quality. Bond investors will [redacted] higher return [redacted] *result;*

● A [redacted] pricing formula could leave the water companies short of cash and, again, make them more risky credits;

● Higher gearing would entail [redacted] higher level of borrowing from the debt markets and a heavier supply [redacted] issues in the second half of the *decade.*

In the [redacted] privatisation, most [redacted] the [redacted] companies have kept a [redacted] profile in the debt markets. Most began life as public companies with cash in the bank and with a stock of cheap finance from the government.

In total, the 10 *companies* began with net cash holdings *of £1.2bn and a "green dowry"* of £1.5bn from the government, although this was not evenly distributed among them.

However, by the end of March this [redacted], cash holdings had been run down to £490m, and this will accelerate as capital expenditure increases.

Mr Bill Dale, [redacted] Warburg Securities, estimates that the sector will [redacted] *of* [redacted] by [redacted] of March next year and at least £3bn by [redacted] end [redacted] the financial year 1993-1994.

These estimates exclude any funding required for diversifi*cation away from the core* water utility business.

Hence the water companies will be heavy borrowers in the capital markets during [redacted], whether or not [redacted] persuade [redacted] operate with [redacted] higher [redacted] gearing.

WATER COMPANY FINANCE (£m)

Company	Cash position pre-flotation	Govt [redacted] injection	Capital exp* 1989-2000
Anglian	-160	-61	[redacted]
Northumbrian	107	123	[redacted]
North [redacted]	189	330	6,170
[redacted] Trent	322	361	5,775
Southern	20	46	1,970
South West	257	268	1,850
Thames	102	-12	[redacted]
Welsh	226	276	2,570
Wessex	70	81	[redacted]
Yorkshire	[redacted]	89	[redacted]
TOTAL	1,182	1,499	[redacted]

[redacted] = debt [redacted]
*Estimate, assuming 4.5 per cent annual inflation. Source: Warburg Securities

So far, the majority of debt finance needs have been met by the European Investment Bank, the supranational lending agency. The EIB commands a top triple-A credit rating and is the most active borrower on the international bond market. As such, it can *borrow at extremely fine rates* – a benefit which is passed *through to companies* which borrow from it.

So far this year, the EIB has lent just under £400m, providing loans to all of the water companies apart from Anglian. However, this is not substan*tially more than the £384m lent* to seven water companies in 1990 and £294m lent to five companies in 1989.

The EIB will *only* lend for projects which meet its lending criteria. These include invest[redacted] to improve the quality of [redacted] supplies and [redacted] services. *Moreover,* the EIB will only provide 50 per cent of the cost of any project, the rest must come from other sources – either the debt markets or out of cash flow.

Hence as cash holdings are run down and the water companies look to diversify away *from the core water supply* business, access to the bond and *banking markets* will become more important.

Of the six sterling bond issues by water companies since privatisation, three (two from Anglian Water *and one from* Thames Water) were to finance investment in the core water utility *business.* These bonds carry the guarantee of the subsidiary water utility company which generates most profit.

The other bond issues (two by Severn Trent and one by Welsh Water) were used to finance di[redacted]. This [redacted] more expensive because the bonds cannot carry the guarantee of the core water utility company or be secured on [redacted] assets of the water company.

Other than high-profile public bond issues, some water companies have raised funds [redacted] *private* placements of debt securities with institu*tional investors. For example,* North West Water, which has spent £138m *on acquisitions* in the engineering sector, including the purchase of three US companies, raised $75m from a private placement with US institutions.

Balance sheet management *techniques,* such as the sale and lease back of properties, have also proved a useful source of funds. Warburg Securities estimates that *the 10* companies have raised £1.2bn in the two years since privatisation by applying private sector balance sheet management *techniques* [redacted] which were [redacted] exploited under public [redacted] control.

However, the scale of the companies' financing [redacted] means that private placements and structured financings will only be of marginal importance. Large amounts of *straight debt finance* will have to be raised from banks and the bond market: the gearing ratios of the companies and pricing formula they work under will [redacted] to how much this borrowing costs.

Dresdner Bank to quit Liffe trading floor this month

By Tracy Corrigan

DRESDNER Bank, Germany's *second* largest, will [redacted] trading presence on the floor of the London International Financial Futures Exchange on December *13.*

As a result, Dresdner traders will not move into Liffe's new premises at Cannonbridge on December 16.

[redacted] bank will remain [redacted] member of the exchange, [redacted] *it joined* [redacted] 1987, and [redacted] the clearing house. Dresdner will also continue *to trade on* Liffe's automated pit trading (APT) system, a [redacted] system which allows members to trade contracts after-hours.

[redacted] Dresdner Bank official [redacted] the [redacted] to end the *bank's* [redacted] on the exchange floor results from the increased *activity* on the Deutsche Terminbörse, the German Futures Exchange, which makes it possible to transact a large part of customer business, as well as the bank's own business, on the DTB.

In recent months, leading German banks have shifted their bund futures trading from Liffe to the Deutsche Terminbörse in an effort to boost liquidity in the German exchange's contract, which had been languishing. The German banks *financed* the setting up of the DTB, which started trading in January 1990.

Dresdner plans to use other Liffe contracts when the need arises. Trading will be undertaken through brokers on the Liffe floor, an approach already adopted by a number of banks.

The move is unlikely to have any large effect on the volume of contracts *traded on Liffe,* since [redacted] shift of German bank business in bund futures to the DTB has already taken place.

None of Liffe's other four German members, DG Bank, Deutsche Bank, Hessische Landesbank and Westdeutsche Landesbank, has plans to leave the exchange.

Deutsche Bank, which now channels most of its bund futures business through the DTB, will be increasing its activities on Liffe in other areas. The bank is about to be *appointed a market-maker on* Liffe's struggling Ecu bond future contract (along with San Paolo, Swiss Bank Corporation, Tokai International and Union Bank of Switzerland). Deutsche also expects to increase its gilt futures trading, when it [redacted] a gilts market-maker next [redacted].

DG Bank, which has also shifted the bulk of its bund futures trading to the DTB, is not active in other product areas. "For the time being, no change is envisaged," said Mr Hans Rieppel, managing director of *DG Investment Bank in* London.

WestLB is not active on the Liffe floor, trading mainly through brokers, but it does not plan to pull out of Liffe, while Hessische Landesbank has increased its activities on Liffe in non-German products *this* year.

● In a headline in some editions of Wednesday's Financial Times, it was incorrectly reported that Deutsche Bank was leaving Liffe. The headline should have referred to [redacted]ner Bank.

Latin American debt rebounds

LATIN American debt has bounced back sharply from its lows on the secondary market *this autumn,* recovering *some* of the ground lost when this year's bubble in the *region's* sovereign debt burst, writes Richard Waters.

The recovery has been fuelled by a marked change in investors' attitude to Brazil. After a strong rise in the sec*ondary market price of Brazil's* external debt this year to 40 cents in the dollar, the price fell back to just 21 cents in late [redacted]ober.

By yesterday, though, the price had recouped a substantial part of its lost ground, with Brazilian *debt trading* back above 27 cents.

The rebound has been caused by renewed confidence in Brazil achieving a Brady-style debt reduction deal in the months ahead, traders [redacted] Luke, of Chartered WestLB [redacted] London, said steady buying from [redacted] had helped to support the rise.

The bubble in Brazilian debt earlier this year had [redacted]een fuelled largely by aggressive buying by market traders, many of whom had taken *long positions* in the expectation of further rises ahead.

The paper [redacted] they had taken following the collapse in October meant [redacted]ere was *greater caution now,* observers [redacted].

Underwriters bid for $500m EIB mandate

By Simon London

UNDERWRITING firms in [redacted] international bond market were yesterday bidding for the mandate for a $500m 10-year issue by the European Investment Bank (EIB), expected to be launched today.

Firms understood to have been invited to bid for [redacted] included Goldman Sachs, [redacted] Capital Markets, UBS Phillips [redacted] and [redacted] Peabody.

The deal will probably [redacted] *trade,* [redacted] small group [redacted] firms underwriting the whole deal. This approach allows the banks to pare fees, reducing the overall cost [redacted] funds to the EIB.

Fees [redacted] this [redacted] of [redacted] are usually [redacted] basis points [redacted] *management* [redacted] writing firms, with [redacted] selling [redacted] of [redacted] basis points.

By putting [redacted] bid including [redacted] fees, firms [redacted] their chances of winning the presti[redacted] mandate.

Against this, [redacted] substantial [redacted] the issue [redacted] poorly received by investors and the underwriters are left holding tightly-priced, long-dated paper.

Syndicate [redacted] not *involved in the bidding process* commented that the deal should be launched [redacted] a yield spread [redacted] 28 basis points [redacted] Treasury bonds. However, [redacted] EIB [redacted] possible [redacted] *and* [redacted] *could* [redacted] a tighter yield spread.

The success [redacted] very tightly-priced deal could turn [redacted] demand from Italian [redacted] Bonds issued by the EIB and *other supranational agencies of* which Italy is a member are exempt from withholding tax, a benefit which the government may soon withdraw.

The European Coal and Steel Community, which also [redacted] *fits from the tax concession,* yesterday opted [redacted] increase [redacted] five-year D-Mark [redacted] launched on Tuesday rather [redacted] launch [redacted] in [redacted] Canadian dollar sectors.

The 8⅝ per cent deal was increased to DM560m, from DM320m, assisted by strong buying from [redacted] investors.

Another supranational agency borrower active [redacted] the market [redacted] the Inter-American *Development bank, which* launched a well-received SFr300m 10-year [redacted] lead [redacted] by [redacted] Suisse. The bonds traded at less [redacted] of [redacted] point bid, comfortably inside full fees.

INTERNATIONAL [redacted]

Forte long-term debt rated A2 by Moody's

By Simon London

FORTE, [redacted] UK [redacted] has [redacted] assigned an [redacted] long-term [redacted] rating by Moody's Investors Service, the US credit rating agency.

This is the first time that the company's *long-term debt has* [redacted] formally rated, and it follows the launch [redacted] five-year bond issue [redacted] week.

Commenting on the decision, Moody's said that the rating was based on an expectation [redacted] cash-flow [redacted] by recession in the US and UK economies would soon be reversed.

NEW INTERNATIONAL [redacted]

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
[redacted]						
Societe Generale(a)†	[redacted]	zero	94.20	1993	15/10bp	Sanwa Int.
Postipankki(a)†	[redacted]	zero	94.09	1993	15/10bp	Sanwa Int.
Ryoden Trading(a)‡	100	[redacted]	100	1995	2¼/1½	Daiwa Europe
Svenska Handelsbanken(a)†	51	zero	94.01	1993	15/10bp	Sanwa Int.
FRENCH FRANCS						
Credit Local de France(b)†	2bn	zero	45.328	2001	(b)	CCF
SWISS FRANCS						
Inter-American Devt.Bank(a)†	300	7¼	101⅞	2002	-	Credit Suisse
GUILDERS						
ABN Amro Bk Holding NV(c)‡	500	9⅛	100½	2002	-	ABN Amro
[redacted]						
Euro.Coal & Steel Comm.(d)†	560	8⅝	101.40	1996	1⅝/1½	Dresdner Bank

★★Private placement. §Convertible. ‡With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Management & underwriting fee - 22bp, no selling concession fee. Non-callable. c) Subordinated issue. Coupon payments made in guilders but principle redeemed in US dollars. Each bond has a put warrant attached to sell US dollars for guilders. d) Amount increased from DM320m. Non-callable.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS. Figures in [redacted] number [redacted] stocks per section	Wed Dec 4 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Tue Dec 3 Index No.	Mon Dec 2 Index No.	Fri Nov 29 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (180)	728.92	-0.8	9.49	6.69	13.42	33.34	734.48	736.96	745.80	716.84
2 Building Materials (23)	853.72	-1.6	8.71	7.30	15.16	41.75	867.68	868.83	887.81	977.08
3 Contracting, Construction (30)	906.47	-1.5	8.79	8.08	16.25	51.30	919.86	931.98	953.43	1145.13
4 Electricals (10)	2321.64	+0.7	10.39	6.37	12.26	98.23	2304.96	2318.52	2360.03	1868.60
5 Electronics (25)	1633.45	+1.5	11.32	5.84	11.20	52.97	1609.51	1622.34	1637.59	1533.20
6 Engineering-Aerospace (8)	324.61	-0.4	17.27	8.00	6.99	18.52	326.03	322.71	324.25	391.55
7 Engineering-General (43)	455.46	+0.7	10.62	5.49	11.61	17.78	452.10	451.40	453.37	364.90
8 Metals and Metal Forming (9)	303.14	-1.9	2.17	11.61	–	25.21	308.86	310.87	312.59	406.12
9 Motors (12)	286.10	-1.3	9.05	8.42	14.67	17.56	289.73	289.98	290.67	288.73
10 Other Industrial Materials (20)	1461.56	-1.7	8.23	5.61	14.45	58.79	1486.36	1493.20	1510.14	1239.05
21 CONSUMER GROUP (190)	1546.00	+0.6	7.55	3.64	16.35	38.15	1536.72	1522.63	1523.04	1219.56
22 Brewers and Distillers (23)	1884.28	+1.3	8.67	3.63	13.93	39.79	1860.50	1854.76	1860.36	1546.26
25 Food Manufacturing (19)	1186.83	+0.3	9.69	4.26	12.74	33.08	1183.04	1175.35	1183.51	1012.28
26 Food Retailing (17)	2397.58	+0.6	9.67	3.45	13.44	[redacted]	2383.71	2384.33	2400.89	2276.51
27 Health and Household (23)	4093.67	+1.0	5.03	2.35	22.84	[redacted]	4054.03	3952.83	3911.45	2511.92
29 Hotels and Leisure (24)	1248.40	-0.4	8.17	5.67	15.15	45.61	1253.13	1259.32	1262.41	1232.30
30 Media (25)	1424.28	+0.1	7.29	4.99	17.98	[redacted]	1423.25	1420.03	1435.11	0.00
31 Packaging, Paper & Printing (17)	733.67	-0.7	7.36	4.53	16.47	[redacted]	738.89	735.89	739.91	512.93
34 Stores (32)	973.01	+0.3	7.72	3.81	17.01	[redacted]	970.21	964.11	962.31	809.06
35 Textiles (10)	603.51	+0.8	7.66	5.15	16.65	[redacted]	598.90	593.19	601.25	428.06
40 OTHER GROUPS (111)	1181.32	....	10.14	5.56	12.45	[redacted]	1181.24	1185.69	1193.22	1007.83
41 Business Services (12)	1397.74	+1.2	7.11	4.68	17.86	[redacted]	1381.08	1368.72	1369.77	0.00
42 Chemicals (21)	1386.48	+0.3	7.19	5.29	17.26	[redacted]	1381.82	1379.77	1386.06	1053.83
43 Conglomerates (11)	1303.29	-1.7	11.12	8.04	10.98	38.95	1326.09	1360.67	1374.35	1298.15
44 Transport (14)	2206.33	+0.7	5.78	5.11	22.83	[redacted]	2190[redacted]	2194.10	2240.98	1881.70
45 Electricity (16)	1155.03	+0.2	15.31	5.73	8.49	[redacted]	1152.55	1152.60	1152.41	0.00
46 Telephone Networks (4)	1414.07	-0.5	11.10	4.43	11.77	28.34	1420.75	1425.05	1433.42	1168.75
47 Water (10)	2198.20	+0.6	19.24	7.16	5.73	131.43	2184.95	2209.55	2222.08	2143.17
48 Miscellaneous (23)	1764.22	+0.8	5.68	5.62	24.20	73.58	1750.47	1743.90	1749.80	1572.30
49 INDUSTRIAL GROUP (481)	1223.97	+0.2	8.71	4.78	14.36	37.70	1221.81	1218.28	1223.48	1032.09
51 Oil & Gas (19)	2216.43	....	11.66	6.33	11.34	104.27	2215.41	2234.35	2224.23	2329.83
59 500 SHARE INDEX (500)	1310.53	+0.2	9.06	4.96	13.94	42.97	1308.42	1306.43	1310.63	1138.60
61 FINANCIAL GROUP (91)	706.90	-1.0	–	6.59	–	33.01	714.13	716.48	719.50	721.80
62 Banks (9)	806.85	-1.9	4.94	6.58	39.68	37.46	822.38	830.09	836.08	760.55
65 Insurance (Life) (7)	1409.76	-0.4	–	6.01	–	63.68	1415.98	1425.21	1435.04	1316.78
66 Insurance (Composite) (7)	515.55	+0.2	–	8.46	–	32.94	514.30	504.77	502.77	634.49
67 Insurance (Brokers) (10)	983.93	-1.8	8.30	6.80	15.85	49.14	1001.96	993.29	996.02	1006.33
68 Merchant Banks (7)	465.67	-0.3	–	4.62	–	14.84	466.86	468.10	468.97	359.06
69 Property (35)	833.37	-0.5	6.05	5.64	24.07	28.81	837.56	845.96	848.52	977.78
70 Other Financial (16)	236.00	-0.4	11.22	7.41	11.21	11.85	236.86	236.56	237.07	250.30
71 Investment Trusts (70)	1148.53	+0.8	–	3.76	–	30.42	1139.13	1125.89	1139.93	1007.95
99 ALL-SHARE INDEX (661)	1166.58	....	–	5.13	–	40.06	1166.18	1164.78	1168.95	1035.59

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Dec 3	Dec 2	Nov 29	Nov 28	Nov 27	Year ago
FT-SE 100 SHARE INDEX♦	2423.8	+3.6	2441.6	2418.7	2420.2	2414.9	2420.2	2428.6	2447.5	2152.6

FIXED INTEREST

PRICE INDICES	Wed Dec 4	Day's change %	Tue Dec 3	Accrued interest	xd adj. 1991 to date
British Government					
1 Up to 5 years (28)	122.00	+0.02	121.97	2.41	10.75
2 5-15 years (27)	134.55	+0.45	133.95	2.97	11.84
3 Over 15 years (8)	143.14	+0.75	142.08	2.85	11.50
4 Irredeemables (6)	156.62	+0.85	155.30	1.15	13.68
5 All stocks (69)	132.92	+0.33	132.47	2.78	11.60
Index-Linked					
6 Up to 5 years (2)	167.05	....	167.04	0.65	3.16
7 Over 5 years (9)	148.43	+0.09	148.29	1.19	3.83
8 All stocks (11)	149.88	+0.08	149.75	1.11	3.81
9 Debs & Loans (62)	112.10	+0.56	111.48	1.62	10.59

AVERAGE GROSS REDEMPTION YIELDS		Wed Dec 4	Tue Dec 3	Year ago (approx.)
British Government				
1 Low	5 years	8.82	8.89	9.57
2 Coupons	15 years	9.54	9.62	10.20
3 (0%-7¾%)	20 years	9.54	9.62	10.24
4 Medium	5 years	9.92	9.97	10.87
5 Coupons	15 years	9.69	9.78	10.59
6 (8%-10¾%)	20 years	9.63	9.72	10.51
7 High	5 years	10.15	10.19	11.01
8 Coupons	15 years	9.78	9.87	10.79
9 (11%-)	20 years	9.69	9.78	10.71
10 Irredeemables		9.72	9.80	10.47
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	3.93	3.93	3.85
12 Inflation rate 5%	Over 5 yrs.	4.32	4.33	4.18
13 Inflation rate 10%	Up to 5 yrs.	3.31	3.30	2.60
14 Inflation rate 10%	Over 5 yrs.	4.15	4.15	4.00
15 Debs &	5 years	11.43	11.51	12.63
16 Loans	15 years	11.26	11.33	12.41
17	25 years	11.09	11.15	12.20

♦Opening index 2419.7; 9 am 2433.4; [redacted] am 2436.6; 11 am [redacted].1; Noon 2423.1; 1 pm 2424.4; [redacted] pm 2427.1; 2.30 pm 2432.5; [redacted] pm 2427.6; 4.10 pm 2423.3; (a) 9.30am (b) 8.35am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday [redacted] of constituents is available from the Publishers, The Financial Times, Number One, Southwark [redacted] London SE1 9HL. The FT-ACTUARIES [redacted] INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription [redacted] FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]											

RISES AND FALLS YESTERDAY

	Rises	Falls	[redacted]
British Funds	61	2	[redacted]
Other Fixed Interest	14	1	4
Commercial, Industrial	221	347	928
Financial & Property	126	135	515
Oil & Gas	9	27	55
Plantations	1	2	7
Mines	24	36	92
Others	37	52	[redacted]
[redacted]	493	602	1,676

RIGHTS OFFERS

[redacted] p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
100p	Nil	12/12	12½pm	½pm	Attwoods	½pm	-¼
120	Nil	5/12	23pm	7pm	Brent Chemicals 10p	7pm	
42	Nil	17/12	2pm	¾pm	‡Corporate Services 40p	¾pm	
10	Nil	6/12	1½pm	¼pm	Lowe (Robert H) 1p	¼pm	
88	Nil	7/12	10pm	2½pm	Molyns 20p	2½pm	-¼
230	Nil	–	26pm	18pm	Morrison (W) Supermkts	18pm	-1
84	Nil	–	4pm	2pm	Pict. Petroleum 5p	2pm	
7½	Nil	17/12	3pm	1½pm	Ross Group 5p	1½pm	
150	Nil	16/12	1½pm	1½pm	St. Davids Inv Inc	1½pm	
[redacted]	Nil	16/12	14pm	12½pm	TIP Europe 5p	13pm	
5	Nil	–	1½pm	¼pm	‡Union Square 1p	¼pm	

a Amalgamated dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Assumed dividend and yield. g Earnings based on preliminary figures. s Forecast or estimated annualised divi[redacted]sed on previous year's earnings. F Dividend and yield based on prospectus or other official estimat[redacted] H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated ann[redacted] cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. & Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ‡ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. * Unregulated collective investment scheme. ■ Unit comprising of 5 Ords and 1 Warrant.

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	100¼p	100p	Barlows 9¾pc Non-Cum. Prf. £1	100¼p	
10p	F.P.	-	10p	8p	Botts Mining 10pc (Net) Cv Prf 1994	10p	
100	F.P.	-	102½	98½	Camborne Inds. 10½pc Rd. Deb. 2001	105½	
100p	F.P.	-	103p	100p	Fidelity Euro. Values Equity Ln 2001	100p	
105	F.P.	-	105	98	Greencore 9.5% Cnv Un Ln Stk 1995	98	-2
100p	F.P.	-	104p	100¼p	NatWest Bank 9pc Prf Series A	100¾p	

TRADITIONAL OPTIONS

● First Dealings Dec. 2
● Last Dealings Dec. 14
● Last Declarations March 5
● For settlement March 16

For rate indications see end of London Share Service

[redacted] in Aviva Petim., [redacted] Intl., BTR [redacted] '94, Brent Walker, B. Elliott, Monarch Res., Smith [redacted] Nephew, Tullow Oil and Ultramar. Puts and calls in ASDA, Costain and Tullow Oil.

LONDON TRADED OPTIONS

[illegible]

December 4 Total Contracts 25,763 Calls 13,963 Puts 11,800 FT-SE Index Calls [redacted]07 Puts 2,446 Euro FT-SE Calls [redacted] Puts 713 Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months. Premiums shown are based on middle prices.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Charter Cons.	42	ICI	95	Reed Intl	35	MEPC	42
Allied-Lyons	50	Comm Union	40	Ladbroke	21	Sears	8½	Mountleigh	4
Amstrad	6	Courtaulds	38	Legal & Gen	33	SmKl Bchm A	53	■ OILS	
Astec (BSR)	5	Eurotunnel	50	Lex Service	16	TI	39	Aviva Pet	3
BAT Inds	53	FKI	6	Lloyds Bank	30	TSB	11	BP	26
BOC	48	FNFC	10	Lonrho	20	Tesco	21	Burmah Castrol	47
BTR	33	Forte	21	Lucas Inds	12	Thorn EMI	65	Conroy Pet	8
Barclays	34	GKN	28	Marks Spencer	21	T & N	14	Gaelic Res	1
Blue Circle	20	Gen Accident	43	Midland Bank	20	Unilever	60	Premier Cons	4
Boots	33	GEC	16	NatWest Bank	28	Vickers	16	Shell	40
Bowater	56	Glaxo	110	P & O Dfd	41	Wellcome	60	Tuskar Res	1
Brit Aerospace	35	Grand Met	67	Racal Elect	6	■ PROPERTY		Ultramar	20
British Steel	10	GRE	14	RHM	23	Brit Land	27	■ MINES	
Brit Telecom	33	Hanson	17	Rank Org	55	Control Sec.	2	RTZ	46
Cadburys	35	Hawker Sidd	55	Ratners	12	Land Sec.	41		

هكذا من الأصل

UK COMPANY NEWS

A large number of institutional bids are at premium to current price

BT share offer heavily subscribed

By Hugo Dixon

INSTITUTIONAL investors have increased both the price and size of their bids for shares in the government's £6bn British Telecommunications sale.

The government said yesterday that indications of interest now total £4bn, compared with £3bn a week [illegible]. Because demand from small investors has also [illegible] strong, [illegible]tions are likely to be offered only £2bn of stock.

A "substantial proportion" – understood to mean considerably more than half – of the institutions' bids has been at premiums of between 5p and 15p above the 347p at which existing BT shares are trading. This compares with a zero premium last week.

Institutions have been prepared to bid above the market price because the value [illegible] them of deferring payments of three instalments has been calculated at 20p.

The total number of applications from small investors, who had to apply by 10am yesterday, is expected to be about 3m. The average size of applications from small investors [illegible] 520 shares.

If the expectations materialise, the BT [illegible] will [illegible] attracted the third largest number [illegible] applications of any government sale, after the 5.7m made when the regional [illegible]tricity companies were privatised and 4.5m at the time of the British Gas sale.

The government confirmed yesterday that strong demand from small investors meant it was expecting to allocate two thirds of the offer to them and *increase the size of the offer to* 1,575m shares.

Institutions do not have to make their final bids until 5.30pm on Friday. The price of their bids will help determine the price of the third instalment and so the total price to be paid. Small investors are paying 110p as a first instalment with institutions paying 125p.

The government [illegible] final price would [illegible] determined by [illegible] "desire for an orderly after-market." This is [illegible] to mean that it wants the partly paid shares of 125p to rise by 5-10p.

In the "grey market", run by IG Index, the financial bookmaker, the partly paid shares yesterday evening *were being quoted* [illegible] *pre*mium.

The government is [illegible] political scandal which it believes would occur if the shares shot up to [illegible] huge premium.

Nevertheless, *the Labour* Party accused [illegible] government [illegible] handing [illegible] £800m in "City fees, sweeteners and subsidies" connected with the sale.

Mr Gordon Brown, the party's trade and industry spokesman, [illegible] the [illegible] taxpayer was nearly £2bn if [illegible] fall in the value over the past month of the BT stake the government is planning to sell [illegible] included.

A change of tone from BT's new manager

A LESS gung-ho approach [illegible] global expansion combined with [illegible] sharper focus [illegible] residential customers [illegible] indicated yesterday by British Telecommunications' new [illegible] managing director, [illegible] Hugo Dixon.

In his first public speech since he took the job in September, Mr Michael Hepher warned that globalisation was "in danger of becoming a fetish". He said it could become "an excuse for getting immersed in long-term strategic planning at the cost *of getting the simple things right in the* here and now."

His comments marked a sharp change [illegible] tone compared with the ambitious goal set by Mr Iain Vallance, BT's chairman and chief executive, of turning the company into the world's leading telecommunications group.

They reflect [illegible] perception [illegible] BT's international strategy to date has not been particularly successful. BT itself accepts that its investment in Mitel, the Canadian equipment manufacturer, was a failure, although it still defends its investment in McCaw, the US cellular operator, and its launch of Syncordia, which aims to provide global services to multinational customers.

But Mr Hepher told the Financial Times World Telecommunications Conference in London yesterday that BT and other tele*communications groups* were *"having a* hard time convincing ourselves that some of these investments are the best use of our resources."

He also spoke about the value of BT's residential customers – in contrast to the company's previous line which stressed that these were losing it money. "I don't want to make any distinctions between major corporations and single line residential users – all customers are good customers," he said.

The change in tone is expected to be followed by a determined effort to persuade small customers to use the telephone more and so increase their profitability to the company.

One of the reasons Mr Hepher was chosen to be group managing director was because, in his previous job as chairman of Lloyds Abbey Life, he was successful in *persuading Lloyds Bank* [illegible] *to buy* other products such as life assurance and [illegible] plans.

He [illegible] BT [illegible] the [illegible] "services [illegible] to their lives, services [illegible] more [illegible] less, services that [illegible] them [illegible] to improved [illegible]."

CSI shares plunge after profits warning

By Michiyo Nakamoto

CANNON Street Investments [illegible] its shares plunge from 98p to 20p after it issued [illegible] profits warning and said it [illegible] unlikely to pay a final dividend.

The announcement comes only months after the mini conglomerate, with interests in electronics distribution and hotels and financial services, launched [illegible] rights issue which [illegible] *only* [illegible] cent take up.

Cannon Street [illegible] said that [illegible] revaluation of certain [illegible] was likely to lead to "sizeable" balance sheet provisions [illegible] their carrying value.

Mr William Hislop, the chief executive who had [illegible] the group through its rapid growth [illegible] eighties, as well [illegible] which raised [illegible] £150m [illegible] chairman yesterday.

He is being replaced [illegible] group [illegible] Mr Robin Binks, [illegible] managing director.

Mr David Davis, formerly finance director [illegible] Wiggins Teape, [illegible] becoming [illegible]. Three [illegible]tors [illegible] the main [illegible] on operational responsibilities at subsid[illegible].

[illegible] Street is refocusing [illegible] on key profit earners, mainly its distribution businesses, [illegible] reviewing many of [illegible] activities, Mr Binks said. "We would like to get out of these in due course," he [illegible].

The group hopes [illegible] its bank borrowings, currently at £73m, partly through divestments.

It [illegible] moving [illegible] from [illegible] original strategy [illegible] developing [illegible] with [illegible] eventual flotation.

The main [illegible] being revalued are [illegible] group's hotels, some of which have been developed fairly recently and which are carried in [illegible] books at [illegible].

Cannon Street said [illegible] continuing weakness had affected its traditionally important final quarter of trading. It expects "a small profit" before tax and provisions in the year to December 1991.

GEC rises to £346m but warns of 13,500 job losses this year

By Charles Leadbeater, Industrial Editor

THE GENERAL Electric Company expects to shed about 13,500 staff this year as part of a cost cutting drive which helped [illegible] to increase pre-[illegible] profits for the first half by £4m to £346m.

Lord Weinstock, GEC's managing director, [illegible] the rise in profits, on a [illegible] turnover to £4.49bn for the six months to September 30, showed that its European joint-ventures in telecommunications, power engineering and consumer goods were working.

He said the group was weathering the recession, spending heavily [illegible] rationalisation and yet maintaining its spending [illegible] capital investment [illegible] research [illegible] development in part because of the joint-ventures.

Lord Weinstock [illegible] UK economy [illegible] still "remarkably inactive" and [illegible] company [illegible] planning [illegible] the [illegible] that trading conditions would remain very tough.

GEC [illegible] six months [illegible] March. Mr David Newlands, the company's [illegible] director, [illegible] would maintain [illegible] rate of job [illegible] in the second half.

The strongest performances [illegible] power systems division, which is part of GEC's joint-venture with Als[illegible] France in power engineering. It made pre-tax profits of [illegible] (£58m) on [illegible] *increase* [illegible] *turnover* [illegible] £1.26bn.

Alsthom's margins, which were 2 per [illegible] when the [illegible]ture [illegible] formed [illegible] the late [illegible] have been improved [illegible] about [illegible] per [illegible] – still [illegible] way short of the [illegible] per [illegible] norm at GEC.

The telecommunications division, which [illegible] mainly part of [illegible] joint-venture with Siemens of Germany, made pre-tax prof*its of £60m (£53m) on a £2m* increase in turnover to [illegible].

The largely US-based medical equipment business, the [illegible] goods businesses of Hotpoint and Creda, office equipment and the electronic components business also improved profits.

The interim dividend [illegible] held at 2.55p.

[illegible]

Ashley Ashwood

Lord Weinstock: The [illegible] weathering the recession

Analysts call for Hanson to buy

By Roland Rudd

HANSON, [illegible] Anglo-American conglomerate, yesterday dis[illegible] individual businesses for [illegible] first time.

The results showed the group [illegible] continuing to weather the recession well, although analysts still doubt [illegible] impressive 28 years of increased pre-tax profits unless it makes sig[illegible] acquisitions.

Hanson's reported [illegible] 6 per cent increase in trading profits [illegible] £975m (£923m). The businesses are divided under [illegible] headings: industrial, consumer and buildings products.

Industrial products reported the following [illegible]:

- [illegible] Mining's trading profit [illegible] from £59m to [illegible] on sales of £1.1bn (£521m).
- Chemicals' trading profit was down [illegible] (£187m) [illegible] sales of [illegible] (£608m).
- [illegible] handling's trading profit fell slightly [illegible] (£53m) [illegible] sales of £276m (£309m).
- [illegible] mining's trading profit increased to [illegible] (£31m) on sales of [illegible] (£81m).
- Other industrial products saw trading profit [illegible] from £73m [illegible] £57m [illegible] sales of £800m (£763m). Profits of office products in the [illegible] fell by 19 [illegible] as price competition for [illegible] reduced market forced prices down.

Consumer products were [illegible] into Tobacco [illegible] other businesses. Tobacco's profits increased from [illegible] to £240m [illegible] increased sales of £2.6bn (£2.4bn).

The other consumer products sector increased trading profit to £107m (£83m) on sales of [illegible] (£672m).

Building products were divided into three divisions:

- Aggregates' trading profits were down from £102m to [illegible] sales of £573m (£677m).
- Forest products and lumber's trading profit of £44m (£2m) [illegible] of £178m (£54m), [illegible] boosted by Cavenham Forest Industries' ten-month profit contribution.
- Other buildings products saw trading profit fall [illegible] (£108m) [illegible] sales of £732m (£759m).

Costain raises £101.3m from property disposals

By Andrew Taylor, Construction Correspondent

COSTAIN, the UK construction, property and mining group, yesterday [illegible] its British inv[illegible] property portfolio for £101.3m in a move [illegible] reduce borrowings [illegible] improve its financial position.

The company's share price, which had been under pressure in recent days, recovered 8p to 59p following the announcement. The shares had been *trading at 220p in March.*

Costain has sold 11 investment properties to Great Portland Estates, the property group, in a cash and shares deal worth £84.3m. It has also sold for £18.6m cash its interest in Nicholson's Walk shopping centre, Maidenhead, to Pensman nominees.

The proceeds will be used to reduce Costain's net debt from £295m to £194m. The debt figures exclude £70m of off-balance sheet finance and £40m of *redeemable preference shares.*

Gearing, which previously had stood at about three quarters of shareholders' funds, is expected to reduce to about 60 per cent after property development and housing land provisions which the company is expected to announce at the end of the year.

The sale price of the investment properties was less than their book value of £128.1m.

Mr Peter Costain, chief executive, said the sale would have a positive impact on earnings per share next year.

He said that interest payments on the remaining borrowings were more than 2¼ times covered by the £40m a year cashflow which currently was being generated by the group's US and Australian coal mining operations.

Costain, which recently agreed the sale of a development site in Australia for £10m, has identified a further £25m to £40m of potential sales including a gold mine and waste disposal business in the US.

Mr Costain said the group would, in future, concentrate on its cash-generating mining, building and civil engineering interests.

The company, however, was expected to incur a pre-tax loss *of £20m this year after prop*erty and land provisions likely to be about £30m.

Costain, under the terms of the deal with Great Portland, will receive £56.3m cash and 17.5m Great Portland shares of which 10m are being placed with institutional investors at 150p per share to raise £14.9m.

The remaining 7.5m shares are to be retained by Costain.

See Lex

Unit Trust chief attacks privatisation programme

By Philip Coggan, Personal Finance Editor

MR PHILIP Warland, director general [illegible] Unit Trust Association, yesterday [illegible] government's privatisation [illegible] the day applications [illegible] BT offer.

"Privatisations which entice people with certain swift gains are a perversion of capitalism. It replaces the desire to [illegible] with [illegible] lust for greed" said [illegible].

[illegible] traditionally conserva[illegible] UTA is launching an aggressive marketing campaign with slogans such as "Why [illegible] for [illegible] quickie with BT when you [illegible] a fulfilling relationship?". Unit [illegible] recently been facing [illegible] *competition from* [illegible] trusts.

Investors who contact the UTA's special telephone line will be [illegible] of [illegible] from [illegible] panel of [illegible] trust managers who [illegible] willing to exchange BT and [illegible] privatised shares [illegible] unit [illegible] holding.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Airsprung Furniture, Alba, Drummond, Eastern Electricity, Great Universal Stores, Greycoat, In Shops, Murray Split Capital Trust, New London, Phoenix Timber, Pilkington, PowerGen, Premier Group, Scapa, Tiphook, Vtech, Wellman.

Finals- Grand Metropolitan, Radio Clyde, Regina Health & Beauty, Smith & Nephew, Westland, Wharfedale.

FUTURE DATES

Interims-	
Abtrust New Dawn Inv	Dec. 13
Baileys	Dec. 17
M & G Second Dual	Dec. 11
Smith (WH)	Jan. 29
Smith New Court	Dec. 12
TR Technology	Dec. 12
Verson Intl	Dec. 19
Wyko	Jan. 15
Finals-	
Countryside Props	Dec. 12
ML Laboratories	Dec. 12
Mining & Allied Supplies	Dec. 12
Titon	Dec. 10
Venture Plant	Dec. 9

UK COMPANY NEWS

Yorkshire Water posts 12% advance to £64.1m

By Michiyo [illegible]

YORKSHIRE Water yesterday raised its interim dividend by 10.2 per cent, the highest increase among the [illegible] privatised water companies which [illegible] announced interim results so far, as it posted a 12 per cent rise in pre-tax profits to £64.1m from a previous £57.4m.

However, the distribution of 6.5p (5.9p) did not excite the City and the shares lost 2p to 358p during the day before recovering to close at 359p. Earnings per share were up at 30.9p (27.3p).

Yorkshire has already announced that it is keeping its charge increase for next year below the allowable maximum [illegible]. The company, which [illegible] year raised its charges [illegible] than the maximum allowed by its licence, achieved the profits increase on turnover up by nearly 14 per cent, from £193m to £219.5m.

Sir Gordon Jones, chairman, said that the effect of the recession on the company's balance sheet had been limited and that it had benefited from better management of its businesses; training of employees was a main priority, he added.

Nonetheless, operating costs increased by 9 per cent, largely due to the dry weather during the period and the need to increase spending on improving the quality of water. The drought had cost the company about £8m on an annualised basis, Sir Gordon said.

Capital expenditure of £130m was ahead of target, with 140 sizeable schemes already completed. Net interest payable totalled £3.3m compared with £3.9m receivable last time.

Yorkshire has been expanding into the liquid waste management business through its Enterprise division.

It announced the purchase for £7m of Fospers, the second liquid waste tanker company it has acquired, and expects to conclude a third acquisition by the end of this week, Sir Gordon said.

Profits from the non-regulated business amounted to about £3m after interest. Yorkshire expects to achieve about £20m in turnover from external business in the full year.

● COMMENT

There were few convincing explanations for yesterday's fall in Yorkshire's shares, following the highest dividend increase at the interim stage. After all, Yorkshire has one of the most highly regarded managements, and, as one analyst put it, "has all the risk-free attractions of Anglian without any of the drawbacks." Having been ahead of the others in investing to meet quality regulations, it is progressing steadily with its capital programme and, on the non-regulated side, with its liquid waste treatment business, although some would say this is progressing in a somewhat uninspiring manner. Full-year profits are forecast at near £130m, and in the long term Yorkshire has its obvious attractions. But one reason for yesterday's fall in the shares is that investors decided to take the dividend and run, on the basis that the yield of 7.2 per cent is at a near 8 per cent discount to sector [illegible].

Williams' can renew Racal bid, says Lilley

By Roland Rudd

WILLIAMS [illegible], the [illegible] conglomerate, was [illegible] given the go-ahead by the government to renew its £827m bid for Racal Electronics, following its guarantee that it would sell part of Racal's business should it gain control of the company.

In [illegible] with the [illegible] of Fair Trading, [illegible] Lilley, [illegible] and industry secretary, agreed [illegible] accept [illegible] to [illegible] locks and [illegible] within 15 months.

The Takeover Panel had said that the bid timetable should remain frozen until Mr Lilley had seen representations from interested third parties in the [illegible] and [illegible] businesses. The unfreezing [illegible] bid [illegible] that [illegible] will [illegible] until the end of Friday, day 39, [illegible] release new financial information. [illegible] expected [illegible] interim results and a profits [illegible].

[illegible] then [illegible] seven days to decide whether to increase its bid. It is expected to make an announcement early next week so that the 14-day period before the bid closes takes place just before Christmas.

Williams yesterday wrote to Racal's shareholders accusing their board of leading the company into decline. Williams said Racal made losses of nearly £10m in the last financial year and that its shares had not kept pace with inflation over the past four.

It also said that Racal's operating margins in businesses representing 81 per cent of its total sales are now lower than they were four years ago.

Bass beats expectations with £508m

By Philip Rawstorne

BASS, the UK's leading brewer, exceeded market expectations with a strong performance that limited the decline in full year pre-tax profits to 5 per cent.

The result, down from £535m to £508m, included an exceptional provision of £55m for the cost of closing two breweries during the next three years.

Operating profit for the year ended September 30, including a £26m contribution from surplus pension [illegible] (£631m) on turnover [illegible] per [illegible] £4.38bn (£4.46bn).

Earnings per share decreased from 107p to 92.7p but a final dividend of 25.7p lifts the total for the year to 35.6p.

Mr Ian Prosser, chairman, said the result had been robust in the [illegible] economic circumstances.

The group's core brewing [illegible] resilience in the [illegible] recession. Operating profit [illegible] 10.6 per cent to £185m (£168m) on turnover ahead 2.1 per cent at £1.55bn (£1.51bn). Margins improved by nearly one percentage point to 12 per cent.

Overall beer volumes fell 3.8 per cent compared to a market decline of [illegible] per cent. But [illegible] Bass, the p[illegible] ale brand, increased volume sales by 15.5 per cent and Stones bitter [illegible] volume and share in the standard ale market.

Profits from pub retailing, reflecting both the recession and the pubs disposal programme, were 6.1 per cent lower at £231m (£246m) on turnover which fell from £1.25bn to £1.17bn.

Takings in managed houses increased by 4.5 per cent in the north of the country but dropped 1.5 per cent in the Midlands and the south.

Bass has now sold more than 1,800 pubs as part of its disposal programme to meet the requirements of the government's beer orders, and has 500 left to sell by November next year. Prices have been running 20 per cent above book value and total profit so far amounts to £310m. An extraordinary profit of £120m is included in the accounts for disposals during the year.

Holiday Inn, in the first full year of worldwide ownership, contributed an operating profit of £103m, 6.5 per cent down on last year's £110m. Turnover declined more steeply, 9.5 per cent lower at £570m (£630m),

Ashley [illegible]

Ian Prosser: a robust result in the difficult environment

[illegible] and room [illegible] in the [illegible] better than those of mid-market competitors.

Profits from leisure operations fell [illegible] cent [illegible] £62m (£64m) [illegible] marginally lower turnover of £1.02bn. Betting [illegible] amusement machine operations were badly hit by the recession but the group's 157 bingo clubs, relaunched as Gala clubs since the Granada acquisition, "made good progress."

Britvic soft drinks contributed slightly lower profits of £42m but increased its share of the carbonated drinks market.

See Lex

Cape declines 28% to £7.2m

By Peggy Hollinger

THE SLOWDOWN in [illegible] construction industry hit profits at Cape, the fire protection, insulation and building products group, which revealed a 28 per cent decline to £7.2m in pre-tax profits for the six months to end-September.

Turnover rose by 2 per cent to £97.8m. Operating profits fell by 27 per [illegible] to £6.4m, [illegible] arose [illegible] a buoyant industrial products division, which [illegible] lower margins. Industrial products accounts for almost 62 per cent of total sales.

Mr Jeffrey Herbert, chairman, said in his statement that [illegible] group [illegible] experienced "[illegible] of [illegible] difficult [illegible] environments . . . [illegible] UK for many years". He warned [illegible] group's [illegible] market [illegible] likely [illegible] well [illegible] year.

The building and architectural products [illegible] enced "particularly [illegible] conditions", he said. Turnover fell by 6 per cent to £37.6m [illegible] the largest decline in the UK. Operating profits in this business fell from £6.4m to £4.2m.

Acquisitions boosted turnover in the industrial services business by 10 per cent to £60.5m. Operating profits [illegible] by [illegible] to [illegible]. Higher [illegible] charges, [illegible] the lower profits, depressed earnings per share by 4.7p to 9.3p. The interim dividend is held at 3p.

Acquisitions prompt 6% gain at BTP

By Michiyo Nakamoto

ACQUISITIONS WERE behind a 6 per cent rise in interim pre-tax profits at BTP, the acquisitive speciality chemicals and industrial group.

The group saw higher pre-tax profits of £8.81m from a previous £8.32m in the six months to September 30 mainly as a result of the acquisition of an adhesives business in Europe and one in the UK for £15.5m and £3.5m respectively, according to Mr Rob Martin, finance director.

The shares fell nearly 5 per cent to 229p on the day.

The business [illegible] apart [illegible] acquired [illegible] results [illegible] the period.

The group now has some 60 per cent of its sales overseas; 41 per cent of its turnover is in the UK against 20 per cent in the US and 20 per cent in Europe. Geographically, "we're well spread," said Mr Martin, "but we seem to be well spread in markets that are in recession."

The UK textile coatings it supplies for three-piece suits, one of their main products in the domestic market, saw demand drop significantly in the first half. This was balanced to some extent by resilience in the leather chemicals and brewing chemicals businesses.

The overall rise in profits came on increased turnover of £82.5m (£73.1m). The interim dividend is up by 5 per cent to 3.1p (2.95p) on earnings per share down to 7.29p (7.39p).

Although certain cuts in the labour force have been made earlier in the year, "we can't do much more," Mr Martin said.

Gearing is low at 25 per cent and interest is covered 16 times. The group expects to be able to benefit from any recovery, which it sees coming mainly in its domestic furnishings and vehicle adhesives activities. The second half has started satisfactorily but no improvement has been noted in world wide market conditions.

Siebe shares advance 30p on news of modest 12% decline

By Peggy Hollinger

[illegible] DEMAND [illegible] higher interest charges hit profits at Siebe, the controls, engineering and safety products group, which yesterday unveiled a 12 per cent decline at the pre-tax level to £75.2m for the six months to September 30.

However, the market welcomed such a modest decline amid a severely depressed sector, and marked the shares up 30p to 498p.

The [illegible] of the Foxboro acquisition, which [illegible] gearing above 100 per cent last year, more than doubled interest charges from £16.1m to £33.7m. Operating profit was £7.5m higher at £108.9m on turnover up by 19 per cent to £812.9m.

[illegible] Barrie Stephens, chair[illegible] and [illegible] executive, said [illegible] control [illegible] had protected margins. "In the [illegible] six [illegible] generated [illegible] cash," he said. [illegible] result, gearing had been cut by [illegible] percentage points [illegible] 68.4 per cent.

The rise in turnover was purely due to Foxboro, the US instruments and [illegible] group which contributed a full six months, compared with just one month last time. Excluding the US group, sales fell by 1.25 per cent and profits were 16 per cent down on last year.

Order books for the whole group were slightly down at £425.5m (£445m). Despite the decline, Mr Stephens said the group was increasing its market share, particularly in the temperature and appliance controls business which accounts for 66 per cent of turnover. Siebe is already the world's second largest appliance controls manufacturer.

The group's compressed air business suffered from the decline in housing starts and underground mining. Specialist engineering was also hit by a sharp fall in demand.

Mr Stephens was optimistic about the second half, saying it should prove slightly better than the first.

Earnings per share fell by 3.5p to 22.1p. The interim dividend is raised 10 per cent to 6.05p.

● COMMENT

Yet again Siebe has defied its critics, posting a far more gentle decline than anyone had a right to expect. The underlying performance looks good, with some recovery in the appliance control business. The few niggling fears surround Siebe's practice of capitalising research into areas such as software. Balanced by depreciation, this put an extra £9m on to profits. Forecasts for the year start at about £150m. The prospective p/e of 11.3 times leaves the shares looking fairly attractive for the sector.

NEWS DIGEST

Mansfield provides bright spot

MANSFIELD BREWERY yesterday provided a bright spot in an otherwise indifferent sector results season.

The company, which [illegible] withdrew from perip[illegible] such as [illegible] to [illegible] on its core business, lifted profits by some 41 per cent to £6.36m pre-[illegible] for the six months to September 28.

The shares rose 22p to 514p.

The increase from last time's £4.53m came on turnover ahead to £58.9m (£54.4m) and was struck despite increased interest charges of £3.1m (£2.14m).

Mr Geoffrey Kent, chairman, said the profits improvement also reflected tighter [illegible] and moves to reduce the company's cost base.

Draught beer sales volumes were up [illegible] per cent, helped by improved market share and April's acquisition of 28 houses. These were performing to expectations, he said.

Packaged beer sales volumes jumped 33 per cent, while last year's investment programme resulted in sharply higher [illegible] in [illegible] restaurant division.

Earni[illegible] share advanced to 28.4[illegible] (19.1p); the interim dividend [illegible] raised from [illegible] to 4p.

Pacific Property in split capital move

Pacific Property Investment Trust has been [illegible] as the Hong Kong [illegible] Trust, a split capital fund.

The reshaped trust is the [illegible] specialise in Hong Kong, and the [illegible] split capital trust [illegible] Far Eastern equity markets.

There [illegible] two [illegible] of share capital: zero coupon preference shares which will be repaid at 43p in [illegible] offer a gross redemption yield of 12.6 per cent; and ordinary shares which will receive all the income of the trust but will be repaid in 1996 only after the zeroes have been redeemed. The initial gross yield on the ordinary [illegible] will be 8.9 per cent.

[illegible] in Pacific Prop[illegible] given one new zero [illegible] new ordinary share for every existing share. The reshaped trust, managed by Jupiter Tyndall, will have 20m zeroes and 20m ordinaries.

Hanover Druce shares suspended

Following the breakdown of discussions with various parties, Hanover Druce, the estate agent and property and financial services group, yesterday requested suspension of the shares pending clarification of the financial position.

Rowlinson hit by finance charges

Rowlinson Securities, the Cheshire-based property group, experienced a fall in pre-tax profits from [illegible] to [illegible] for the six months to end-September.

Gross rental income rose to £1.62m (£1.16m) but finance charges took £909,000 more at £971,000. Tax accounted for £166,000 (£336,000) leaving earnings per share at 2.7p (5.03p). The interim dividend is maintained at 0.24p.

John Tams suffers 69% fall to £0.36m

John Tams, the USM-quoted ceramics group, suffered a 69 per cent fall to £362,000 in pre-tax profits for the six months to September 27.

The downturn, from £1.17m, came on turnover 10 per cent lower at £8.5m. Interest charges amounted to £209,000 (£250,000).

The interim dividend is maintained at 1.59p from earnings of 1.05p (3.6p) per share.

Morris Ashby improves 6%

Morris Ashby, the USM-traded specialist aluminium diecasting group, returned profits of £481,000 pre-tax for the half year ended September 30. That marked an improvement of 6 per cent over last time's £453,000.

Turnover expanded from £5.66m to £6.85m. Earnings per share emerged at 4.36p (4.04p) and the interim dividend is a same-again 1.7p.

Murray Enterprise assets up 32%

A 32 per cent rise to 89.04p in net asset value in the year to September 30 was achieved by Murray Enterprise, which invests in unlisted non-technological and electrical companies.

Directors said that during the year £6.04m of loan stock was redeemed at a cost of £3.25m leaving £8.29m outstanding at the year-end.

Revenue before tax for the year to September 30 amounted to £400,000 (loss £6,053). Earnings per share were 4.86p (losses 0.16p).

Mountview Ests falls to £3.54m

Profits before tax of Mountview Estates, the property dealer and investor, declined from £4.01m to £3.54m over the half year ended September 30.

Turnover fell to £6.89m (£7.12m) and earnings per share to 51.7p (57.7p).

The interim dividend, however, is being lifted by 2p to 8p.

UK COMPANY NEWS

Investment leaves Salvesen flat

By Andrew Bolger

CHRISTIAN SALVESEN, the distribution, manufacturing and specialist hire company, yesterday reported flat pre-tax profits of £36.1m in the six months to September 30.

Mr Chris Masters, chief executive, said: "Whilst economic conditions have played their part, the pause in growth in pre-tax profits rel[redacted] more to our heavy investment directed at improving the potential for next year and beyond."

Total [redacted] turnover amounted to [redacted] against £217.4m. Interest payable rose sharply to £2.9m (£400,000).

Distribution saw trading profits increase by [redacted] per cent to [redacted]

The group said increased volumes from customers such [redacted] J Sainsbury and Marks and Spencer produced [redacted] good result in the UK.

However, trading profits in continental Europe were 43 per [redacted] down, [redacted] Germany incurring a loss and continuing to be a sizeable problem. Significant [redacted] had [redacted] made in [redacted] US, where [redacted] business was [redacted] much [redacted] dependent on commodity cold storage.

The manufacturing division saw [redacted] 9 per cent drop in trading profits [redacted] £10.8m. This [redacted] mainly [redacted] Bricks' trading profits dropped from [redacted] to £2.4m, although it sold 10 per [redacted] more [redacted] in a very depressed [redacted]

Food [redacted] reported a slight [redacted] in [redacted] profits [redacted] (£7.5m), [redacted] though the [redacted] crop was down by 17,000 [redacted]

Vikoma, [redacted] pollution control equipment, saw trading profits fall 33 per cent to £600,000 following the integration of Hoyle, a Liverpool manufacturer of booms and skimmers.

Specialist hire increased trading profit by 19 per cent to £13.3m. Most [redacted] group's [redacted] of capital expenditure [redacted] on Aggreko, [redacted] hires out generators.

The [redacted] said [redacted] Oilfield Technology had a difficult six [redacted] because [redacted] companies were concentrating on work required by [redacted] Cullen Report.

Earnings per share were 4 per cent higher at 9.01p (8.66p). The [redacted] dividend is raised by 5.4 per cent to 2.9p (2.75p).

Trevor Humphries

Chris Masters: improving potential [redacted] and beyond

● COMMENT

[redacted] fact that a [redacted] harvest [redacted] be shrugged off [redacted] far Salvesen has developed from its previous identity as [redacted] trouble-prone underperformer. The results were in line with expectations, but are [redacted] impressive [redacted] this [redacted] economic cycle. [redacted] more impressive is Mr Masters' [redacted] profits [redacted] even without any significant [redacted] performed [redacted] market by 35 [redacted] in the past [redacted] some of this good news is already in the price. Forecast pre-tax profits of £67m for the year put the shares, [redacted] 7p [redacted] 235p, on a multiple of 14 – not undemanding [redacted] those prepared to take a long-term view.

Porter Chadburn down 22%

[redacted] profits [redacted] Porter Chadburn, the leisure products, packaging and distribution [redacted], dropped 22 [redacted] cent, from [redacted] £2.87m, in [redacted] months [redacted] September 27.

Mr Raymond Dinkin, [redacted] man, ascribed the downturn to the "depressed level of consumer [redacted] in [redacted] UK" which had put [redacted] brake on the consumer [redacted] products division.

Turnover here, however, [redacted] by 35 [redacted] to the [redacted] input of Gola Group and Adam Lei[redacted]

Lord Label, the US labelling business, responded well to [redacted] and operat[redacted] focus on [redacted] in [redacted] side rose [redacted] per [redacted] and [redacted] ating margins 8 per cent.

Group [redacted] (£55.7m) and operating profits fell by [redacted] to £3.86m. [redacted] more [redacted] £988,000 (£774,000).

Earnings per share worked through [redacted] 3.03p (4.08p) but the interim dividend is lifted [redacted] more [redacted] 6 per [redacted] to 0.85p.

Exceptionals exacerbate sharp drop to below £1m at Avon

By Peggy Hollinger

AVON RUBBER, the British-owned tyre company which also manufactures industrial polymers, yesterday announced [redacted] drop in pre-tax profits, from £10.6m to [redacted] largely due to the exceptional costs of a reorganisation unveiled in October.

Excluding the [redacted] of closing [redacted] factory and relocating production, pre-tax profits still fell by [redacted] per cent to £6.72m [redacted] the [redacted] September [redacted] ahead, however, from [redacted] to [redacted] The final dividend is maintained [redacted] a proposed 11.5p, for an unchanged total of 16.5p.

Mr Tony Mitchard, chief executive, said margins had come under pressure across the board, "but not necessarily because of prices. Demand has been so poor . . . we had to cut production, and that comes straight off the bottom line." Stocks had [redacted] cut by [redacted] during the year, which together with [redacted] pension holiday, helped [redacted] debt from £33m to £27m. Gearing was [redacted] per cent (55.7 per [redacted] at the year-end.

[redacted] margins fell from [redacted] 15.2 per cent.

Mr Mitchard stressed that the group – which produces high performance tyres, [redacted] cially [redacted] the motorcycle market – had made a "reasonable profit" [redacted] that business.

Tyres account for about [redacted] third [redacted] group sales, and [redacted] motive products [redacted] another third.

The Gulf war [redacted] good news [redacted] industrial polymers which increased operating profits by 7.5 per cent [redacted] £8.5m as [redacted] result.

"If we had not had the Gulf business, profits [redacted] not [redacted] been [redacted] good [redacted] before," said Mr Mitchard.

The inflatables business, which manufactures rubber products for [redacted] industry, [redacted] disappointing. Although [redacted] small part [redacted] all turnover, that division had incurred [redacted] operating loss, Mr [redacted]

Earnings per share plum[redacted] 1p. Excluding exceptionals, earnings [redacted] 19.9p.

Jam[redacted] Latham falls to £121,000

[redacted] Latham, the [redacted] and building merchanting group, reported a £101,000 [redacted] in profits to £121,000 pre-tax in the six months to September 30.

The [redacted] was struck [redacted] crediting [redacted] profit on [redacted] posal [redacted]

[redacted] Christopher Latham, chairman, said the [redacted] had [redacted] a depressingly low level, although there had [redacted] some improvement in sales as the year progressed.

Mr Latham said that although October [redacted] shown some positive signs of [redacted] upturn and many customers had tried to be optimistic, their order [redacted] on the whole remained thin.

Turnover for [redacted] period [redacted] from [redacted] £30.5m.

Earnings, after tax [redacted] £40,000 (£78,000), dipped from 2.07p [redacted] per share.

The interim dividend [redacted] reduced from [redacted] time [redacted] 1.5p.

East Midlands Electricity improves sharply to £24.7m

By Juliet Sychrava

EAST MIDLANDS Electricity yesterday reported [redacted] rise in pre-tax profits from £6.2m to £24.7m for the half year to September 30.

Earnings per share of 8.2p (2.8p) were in line with City expectations, but an interim dividend of 5.1p was at the top end of analysts' forecasts.

Mr John Harris, the chairman, said sales of electricity [redacted] were up 3.7 per [redacted] after a cold spring, though the year-end figure would be lower.

However, [redacted] strong regional [redacted] and [redacted] diminishing bad [redacted] problem meant the company [redacted] continue to enj[redacted] growth.

[redacted]rgins improved in the core business and in retail, where profits were around £1m.

The supply business was on line to make around £15m for the full year, before subtracting the unexpectedly high £10m "uplift" charge all regional companies now anticipate paying for bulk electricity purchases from the pool.

East Midlands has spent £40m on acquisitions – notably the Thomas Robinson Group's contracting business, and security company Ambassador – and gearing was high relative to other regional electricity companies at 31.7 per cent, compared with 38.3 per cent the previous half year.

● COMMENT

Diversification was the buzz word at East Midlands' analysts' meeting yesterday, with the City still unsure whether the company would have done better to leave its £40m expenditure on new businesses in the bank. Mr Harris, who is committed to selling energy services, rather than bulk electricity, said 18-month figures might convince brokers of his strategy of 30 per cent of earnings from non-core businesses by the end of the decade: the energy services business had doubled its turnover in two years already, he pointed out. He may yet be proven right. Mr Harris is still viewed as a strong manager, but there is some mystification as to where he is leading the company – especially on power generation. [redacted] signed one good cheap power station contract, which will stand it in good [redacted] in [redacted] future, if [redacted] regulator allows regional companies to keep profits from [redacted] supply busi[redacted] – as will the company's d[redacted]mined and successful pursuit of supply customers. But the company's ambitions for power generation abroad may leave investors with an uncomfortable feeling that East Midlands has ideas above its station. All this has left East Midlands trailing the regional pack somewhat, on a prospective p/e of between 6.1 and 6.5. Analysts' forecasts range from around £140m to £150m, with the final dividend expected to be about 17p, an increase of close to 14 per cent.

Fyffes gathers a war chest and waits for its boat to come in

Tim Coone on the fruit distributor's growth plans

FINDING Fyffes' financial headquarters among the gridlocked traffic in the labyrinth of Dublin's wholesale fruit and vegetable market is like trying to spot a canary in a banana plantation.

At the indicated address an articulated truck half blocks the narrow lane. A fork-lift bumps over the pavement and disappears into a neighbouring fruit and vegetable store.

No sign other than "Fyffes top floor, reception" written in biro next to a bellpush gives any indication that here is the nerve centre of the UK's and [redacted] principal fruit and vegetable distributor, with plans to rank alongside Europe's biggest.

Upstairs, in the office of Mr Carl McCann, the group's deputy chairman and chief financial officer, a framed painting of a Victorian scribe, sitting on a tall stool and filling out a ledger with a [redacted] hangs next to his desktop computer.

The juxtaposition says everything about a company which has evolved from an obscure family firm at the end of the last century in the northern border region of Ireland, to one which last year had a turnover of I£557m (£519m).

Fyffes distributes daily 3,000 tonnes of fresh fruit and vegetables throughout the UK and the Irish Republic, sourced from 65 countries around the world.

The Irish end of the business was founded by Mr McCann's grandfather and [redacted] Victorian attitude [redacted] debt still guides the [redacted] Mr [redacted] "We have only [redacted] been a [redacted] borrower and that [redacted] for one month, when we bought [redacted] Fyffes company in 1967."

He said that supplier confidence was [redacted] key factor underlying this risk-averse approach. "They know that they will be paid on time."

Having cash in hand, however, [redacted] also central to the company's plans for growth.

Now th[redacted] biggest play[redacted] in the UK and Irish markets, the company is looking towards the EC, the [redacted] and the emerging markets in eastern Europe for its future growth. In the past year the company has spent I£27m on acquisitions.

Earlier this year a rights issue raised I£60m, creating a war chest of some I£100m.

"We are not in a hurry to use it. We are waiting for the right business. When it comes we can move fast. I would be happier still if we had I£200 million," Mr McCann said. In the future the company will be making fewer, but larger deals. "Attractive opportunities come in bigger packages" [redacted] said.

Bananas is the core business of the company, but to establish a significant market share within the unregulated sector [redacted] the [redacted] market – the so-called "dollar-banana" sector sourced from low-cost Latin American suppliers – means taking on the two giants Chiquita International and Dole, which control about 58 per cent of the market. They effectively act as price-setters.

Fyffes has made no secret of its ambition to buy PPI Del Monte, the [redacted] third biggest fresh fruit distributor, [redacted] parent Polly [redacted] International ran into insurmountable [redacted] problems in 1990.

Last month, however, Polly Peck's creditors, in agreement with its administrators, unanimously agreed to float the profitable Del Monte subsidiary early next [redacted] than sell it, in the hope [redacted] raising more than the [redacted] (£395m) anticipated from [redacted]

Del Monte controls about 10 per cent of the unregulated sector of European market for bananas, and would be the perfect opportunity for Fyffes to enter the big league. It would have doubled its turnover and profits.

A flotation of Del Monte is expected early next year, but [redacted] McCann said Fyffes would [redacted] be interested in a minority stake.

A glance through the company's last annual report reveals that Fyffes holds no less than 50.01 per cent in any of its subsidiaries. Most are 100 per cent owned.

A flotation [redacted] Del [redacted] however, will depend on appropriate stock market conditions, and with the ongoing US recession, Fyffes [redacted] still keeping [redacted] options open. Characteristically though, Mr McCann was coy about what those options might be.

In the meantime, the company is building up its supplies of "dollar bananas" from growers in Honduras, Belize, the Dominican Republic "and one other country", which Mr McCann felt it prudent not to name.

When Fyffes began buying in Honduras in 1990, it became embroiled in a [redacted] war" with Chiquita. Allegedly, [redacted] loads of bananas [redacted] derailed, [redacted] ships were blockaded in Honduran ports. The [redacted] annual report notes "we faced unprecedented interference with our legitimate commercial endeavour". That has since been resolved, but the incident is an indicator of the cut-throat competition that the group faces in its endeavours to break into the big league.

It shows no signs of being intimidated however. The company has [redacted] a divisional headquarters in Florida, to oversee its Central American and Caribbean operations and in the past 14 months took delivery [redacted] refrigerated ships, to cope with its new supplies which are now finding their way into European shops.

In anticipation of the Single European Market, and growing demand from eastern Europe, both Chiquita and Dole have reversed their own policies during the 1960s of selling off their Central and Latin American plantations, [redacted] converting them into oil palm production, and are once again engaged in building up their own banana plantations to secure their supplies in the face of competition from companies like Fyffes.

Fyffes itself has not yet reached that stage. "We are not interested in going alone in production. We could go in with partners maybe, in joint ventures or with a minority holding", said Mr McCann.

Its cash hoard is clearly being earmarked for securing markets, rather than production facilities.

When [redacted] acquisition [redacted] comes, probably sometime next year, it will undoubtedly [redacted] big one. And like a tarantula pursuing its p[redacted] in [redacted] banana tree, will most likely [redacted] stealthy [redacted]

DECLINE OF THE MAXWELL EMPIRE

Difficult to account for frenzied appetite for cash

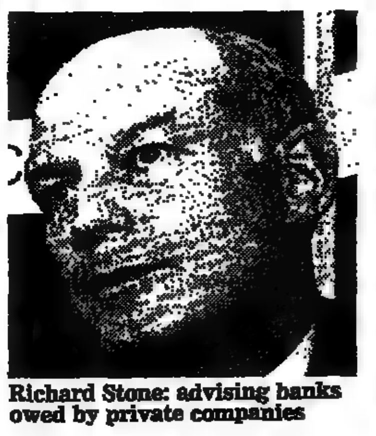
By Robert Peston

MR ROBERT [redacted] appetite [redacted] cash was enormous in the six months before [redacted] died on [redacted] 5. According [redacted] preliminary report prepared [redacted] Coopers [redacted] Lybrand Deloitte, [redacted], between May and [redacted] almost £600m [redacted] channelled to his private companies from his public ones and their pension funds.

Mr Richard Stone, [redacted] Coopers, is advising banks owed £900m by the private companies. Bankers said yesterday that [redacted] meeting on Monday, Coopers told them that [redacted] private companies [redacted] £700m in total [redacted] the Maxwell family's public companies, Maxwell Communication Corporation and Mirror Group Newspapers, and their pension funds.

Mr [redacted] yesterday: "In broad terms, that was [redacted] picture I painted."

Given that on the [redacted] optimistic



Richard Stone: advising banks owed by private companies

assumptions, the [redacted] private companies [redacted] worth [redacted] thing over £1bn, the [redacted] now realise that they [redacted] their own loans.

Bankers have had time to come to terms with the scale of losses they face and are now analysing the events which precipitated this banking calamity. Interviews with them disclose that Mr Maxwell went into a frenzy of extracting cash from the public companies and their pension funds in the spring and summer.

Coopers' preliminary investigations indicate that since May he borrowed £120m from MCC and £45m from MGN.

In addition, he liquidated stocks held as collateral for borrowings from the public companies' pension funds. The effect of these share sales was to leave his private companies owing the six pension funds £400m but lacking the assets to repay them.

The transfer of resources from the pension funds to the private companies was highly complex. For some time, probably years, the pension funds had been lending shares to the private companies, such as Headington Investments and Robert Maxwell Group.

"These were legitimate transactions," commented a banker, though he added that they were unusual. "There are references to the deals in documentation."

To protect the pension funds, the private companies put up collateral equal to between 125 and 150 per cent of the value of the borrowed shares. However, from the spring, Mr Maxwell started to liquidate the investments held as collateral. In theory, the cash should have been paid back to the pension funds. But it never was. As a result, the pension funds are now owed up to £400m by the private companies and have no security to cover the debt.

The banks are uncertain why the private companies borrowed the shares from the pension funds. Some of the borrowed shares were used as collateral on loans from the banks. As a result, legal title to these shares is now under dispute between the banks and the pension funds.

The extraction of cash from MGN was also ingenious. When it came to the stock market in May, its merchant bank, Samuel Montagu, said that a "ring fence" had been put around it preventing flows of cash to the private companies.

However, in the summer, MGN instructed a company connected to the Maxwell private interests to invest its spare cash in gilt-edged stock. About £45m in cash was paid but the gilts have not been found.

Lastly, MCC has an exposure of about £240m to the private companies. Just under £100m of this is long standing and is not repayable till 1994. Of this long-term portion, £65m was channelled through a company based in Delaware in the US, and about £34m is the deferred payment on a property transaction.

None of these loans are disclosed in MCC's last report and accounts for the year to March 1991. The Delaware company was regarded by MCC's auditors – also Coopers & Lybrand Deloitte – as unconnected to MCC in the context of UK accounting standards, so there was no obligation to disclose the loan, in their view.

However most of the loans from MCC to the family companies – about £120m – has been made in the last few months. These are direct loans, which would have been disclosable in MCC's next set of accounts.

At this stage, no one – including anyone at Coopers – can be sure what all this cash was used for. Mr Maxwell's network of private interests was – and remains – extremely complicated. "Assets and liabilities were scattered throughout different companies," a banker said. "It was a construct that could only have been understood by a man with a brain like Mr Maxwell's – the brain of an ex-army intelligence officer."

Some of the private companies' businesses needed continuous injections of cash. The European, Mr Maxwell's ambitious pan-European newspaper, and the New York Daily News, which he bought in March, were two consumers of funds. In addition, the private companies had to make substantial debt repayments. But this does not provide a full explanation of what happened to the £600m.

"The secret may have vanished with Robert Maxwell," commented a banker. However, Coopers is intent on cracking the mystery.

Daily Mirror makes [redacted] clean breast of crisis

By Jimmy Burns

IN [redacted] British tabloid [redacted] the Maxwell financial crisis this week, no [redacted] paper has [redacted] boldly upfront [redacted] the Maxwell family's own flagship. [redacted] Daily Mirror.

"[redacted] missing [redacted] Mirror," was the headline splashed across the Daily Mirror's front [redacted] on Wednesday [redacted] large amounts had [redacted] astray from [redacted] Mirror Group [redacted] paper's (MGN) pension [redacted].

An accompanying [redacted] promised readers [redacted] "will bring [redacted] truth on [redacted] – [redacted] all [redacted] – [redacted] when we [redacted] it, warts and all if [redacted]."

The [redacted] day [redacted] display made by [redacted] Daily Mirror's sworn enemy, the conservative Daily Mail. While on previous occasions the Daily Mail has [redacted] shied [redacted] exploiting its rival's misfortunes, [redacted] thought [redacted] poll [redacted] revolt by Tory [redacted] Essex more worthy [redacted] attention.

Perhaps more strikingly, the Daily Mirror's boldness con[redacted] with its [redacted] record on [redacted]. While Mr [redacted] was [redacted] the newspaper had a tendency [redacted] promote rather than [redacted] grate the activities [redacted] its owner. The 'Max-factor' [redacted] the term coined by his own staff to describe his interventionist style.

According to one [redacted] to [redacted], the Max [redacted] brought its influ[redacted] to bear in [redacted] the Daily Mirror published a letter on its editorial page by the Mirror Group's pension funds manager, Mr Trevor Cook, defending the handling of [redacted] pension [redacted]. It [redacted] now suspected some of [redacted] funds had begun to be diverted [redacted] the letter was published. The trustees of the funds [redacted] they were kept unaware of the [redacted].

Mirror Group pensioners [redacted] against [redacted] the late [redacted] Maxwell [redacted] year [redacted] the pensions [redacted] yesterday he had [redacted] ened members of the National Union of Journalists after they [redacted] raised [redacted] on [redacted] pensioners' fighting fund.

Yesterday Daily Mirror jour[redacted] were [redacted] unceremoniously barred by security guards from the [redacted] pension fund [redacted] ees, although some [redacted] were later reported [redacted] agreed to answer questions.

"We [redacted] doorstepping [journalistic jargon for besieging] the pension [redacted] . . . [redacted] are now treating it as a gungho proper operation," one senior Daily Mirror editorial staffer said yesterday.

According [redacted], the [redacted] the pen[redacted] story [redacted] bitter [redacted] the come-back over [redacted] Nicholas Davies affair, in which [redacted] foreign [redacted] Mossad links was sacked for allegedly lying to the paper.

As one staffer put it yesterday: "This has hurt the reporters more than the Nick Davies stuff . . . there are a lot of long-serving people [redacted] who are suddenly desperately worried that they've done all that [for the company] and have been ripped off".

He added "That being said we are saying, look the Mirror hasn't defrauded people, its the Mirror pensioners that have been defrauded so the Mirror is going to treat it as a story. We have been mugged so lets find out who mugged us. Lets treat it as a news story. Everybody else is. Why don't we?"

By last night senior staff [redacted] the newspaper [redacted] welcoming the fact that that they had received no phone calls yet complaining about the pensions issue. This was interpreted as a reassuring sign that the latest Maxwell crisis, and its coverage, would not backfire in terms of circula[redacted].

At [redacted] newspaper's [redacted] Fleet Street however, the pensions issue was top of the agenda at a mandatory meeting late yesterday afternoon of the Daily Mirror's National Union of Journalists chapel [branch] where the threat of strike action was raised.

Similar meetings took place at MGN's Scottish titles, the Scottish Daily Record and the Sunday Mail, where journalists spoke [redacted] disgust" [redacted] they described as growing evidence of pension [redacted] "misuse [redacted] perhaps [redacted]".

As the Serious Fraud Office launched an investigation into the affair, there was also concern among journalists employed by MGN about how the latest disclosures and resignations would impact on the future ownership of the newspaper.

The death of Mr Robert Maxwell has instilled a new spirit of freedom among editorial staff which partly explains this week's coverage. But the fear now is that such optimism could prove stillborn.

Such is the climate of insecurity that one senior journalist commented last night that he wished Mr Ian Maxwell had not resigned as chairman of Mirror Group [redacted] and had been allowed to "have a go" at running his flagship untroubled by the financial crisis now hanging over him like a sword of Damocles.

Colin Beere

Charlie Wilson, editorial director, yesterday: "The staff have survived a number of traumatic periods in the paper's history. [redacted] the moment the management are just engaged in making sure the paper comes out tomorrow."

Inquiries blast holes in MGN's flotation fence

By Bronwen Maddox

THE "ring fence" designed to insulate Mirror Group Newspapers from the private Maxwell empire has had "Exocet holes" blasted in it by this week's revelations, in the words of one banker.

The two missiles are that the Serious Fraud Office is investigating the potential losses in the Mirror Group Pension fund, possibly about £300m, [redacted] has also lent Maxwell private companies £45m which it may not now get back.

Those issues raise questions about whether Samuel Montagu and Smith New Court, advisers on MGN's flotation, did all they could to shield the company, or – if fraud is established – whether there were no rules that could have prevented it.

The MGN ring fence, as set out in Section IV of the prospectus, took particular care to establish the independence of the board from other Maxwell interests.

The prospectus [redacted] also designed to prevent MGN's assets being used for the private companies, apart from on an "arms-length" basis, on the terms that would be demanded by any outside company.

The advisers insisted on non-compete clauses between MGN and other Maxwell companies, and said that MGN had first right to look at business opportunities.

Samuel Montagu have said in the past "we went to some lengths in the MGN flotation prospectus to make sure MGN was an independent entity".

Many Maxwell bankers agree that they and Smith New Court put much effort into the insulation and were at the time pleased with the result.

However, the shortcomings of a ring [redacted] are illustrated by the loan of around £45m that MGN is understood to have made to private Maxwell companies.

In the months after the flotation, [redacted] is understood to [redacted] instructed [redacted] private Maxwell company to invest surplus MGN cash [redacted] gilt-edged stock. The gilts [redacted] not been found.

The question of whether such a transaction would be strictly against the MGN Memorandum and Articles is a complex legal one, according to bankers observing the crisis.

However, it does not accord with the spirit of the prospectus which indicated that MGN's cash contribution to the private businesses would be simply its dividend. The prospectus also took great pains to spell out all transactions with related parties.

Mr Charlie Wilson, editorial director of MGN, said yesterday that he knew nothing about any loan of £45m.

He said any such loan had not gone through the board. The possibility that MGN was conducting such transactions without board approval will emphasise to many the limitations of a ring fence.

Similarly, bankers have said that if the Serious Fraud Office finds evidence of fraud behind the shortfall in the MGN pension fund, then the ring fence is not necessarily at fault – the losses might have happened whatever rules were drawn up.

Mr Wilson added yesterday that "so far, the items looked at appear to post-date the flotation".

However, the emphasis on the ring fence in the prospectus may have created a sense of security among investors – and MGN's advisers – which, in retrospect, was misplaced.

Yesterday Samuel Montagu was not available for comment and Smith New Court declined to say if it felt the ring fence could have been tightened.

Mr Wilson said: "These are highly energetic and virile newspapers, with great profits . . . .The one thing that may be in doubt is their future ownership, if the Maxwells have to sell their 51 per cent."

However, the failure of the attempts to isolate MGN – and the possibility that fraud will be discovered – may be an initial and considerable obstacle to would-be owners waiting in the wings.

Tories under pressure to protect pensioners' interests

By Ivo Dawnay and Richard Gourlay

THE [redacted] night under [redacted] from all [redacted] to take urgent [redacted] safeguard the [redacted] sioners, as the [redacted] started investigations [redacted] the Mirror Group Newspapers' pension fund.

[redacted] Speaker [redacted] the [redacted] Commons turned down a call for [redacted] emergency [redacted] on the [redacted] fund, both Labour and the Liberal Democrats pledged legislation [redacted] tighten controls [redacted] the management [redacted] pensions.

At the same time, Mr [redacted] Hayward, the [redacted] for Kingswood, revealed [redacted] Department [redacted] Social Security looked [redacted] be on [redacted] point of backing an independent survey into the pensions industry.

The survey would assess the extent to which fund trustees have taken advantage of their positions to act in companies' rather than beneficiaries' interests.

Meanwhile Mr Ian Maxwell, the former chairman of MGN, resigned, along with the rest of the board, from Bishopsgate Investment Management, after discussions with IMRO, the fund management industry watchdog.

BIM is trustee and manager of about half of MGN's pension fund, from which about £300m of the £520m assets at the last audit, are believed to be missing.

Mr Maxwell was chairman of MGN until Tuesday and also a trustee of the Mirror Group Pension Trust with his father, Mr Robert Maxwell, and brother Mr Kevin Maxwell, the former chairman of Maxwell Communication Corporation.

The SFO will [redacted] be looking [redacted] pension [redacted] AGB and others, which [redacted] pooled in a [redacted] common investment fund, [redacted] of which [redacted] by BIM.

A [redacted] of the MGN [redacted] fund [redacted] he [redacted] there [redacted] problems [redacted] three days [redacted] Maxwell died on November 5. "None of the trustees outside of the Maxwell family had any idea of the depletion of pension fund [redacted] until then," he said.

Bankers close to MGN were shocked at the ease with which the pension fund appeared to [redacted] been [redacted].

"In [redacted] siphoning [redacted] assets, [redacted] other companies [redacted] doing it," he [redacted].

[redacted] pension [redacted] unfolded, it emerged that [redacted] pension funds was [redacted] the [redacted].

[redacted] conference at Westminster, [redacted] with Mr [redacted] Hand [redacted] Hewitt, the City solicitors, Mr Hayward said [redacted] believed abuse of [redacted] growing as a direct [redacted] of [redacted] insolvency, brought on by the [redacted].

In a [redacted] dated [redacted] from [redacted] social security department, Lord Henley, the junior minister, said that while it would be impossible to eliminate all abuses, the proposed survey would be "useful" to identify the [redacted] to which "those put in a position of trust seek to take advantage of that position".

[redacted] opposition [redacted] benches. Mr [redacted] Meacher, Labour's social security spokesman, called for the government to halt a practice that was becoming endemic. Claiming that the Tories had failed to act despite warnings in a 1989 report by the Occupational Pensions Board, , he said that current controls over funds were "vague, uncertain and discretionary".

In its report, the OPB said that many trustees experience conflicts of interest. "If a trustee is, say, the finance director of the employer, and perhaps also a member of the scheme, it will sometimes be difficult for him to know [redacted] he [redacted] acting [redacted] in the beneficiaries' interests," the report said.

UK COMPANY NEWS

Receivers expected at Alan Paul

By Peggy Hollinger

[redacted] ARE expected to [redacted] called in within [redacted] next [redacted] hours at Alan Paul, the USM-quoted hairdressing group, which requested [redacted] shares to be [redacted]ded at 20p [redacted] month.

Bankers are believed [redacted] have called up [redacted] on loans [redacted] Alan Paul franchisees, which totalled £11m [redacted] the time of a rights [redacted] in September. The com[redacted] helped [redacted] from [redacted] acting [redacted] guarantor [redacted].

Mr Arthur Fabricant, [redacted] appointed chairman less than a month [redacted], said [redacted] this [redacted] that more than half the group's [redacted] on [redacted] company's [redacted] list. "The [redacted] has total support [redacted] on its books [redacted] about £1.7m," [redacted] said. Alan Paul [redacted] known to [redacted] ported several franchisees during [redacted] of difficulty.

The company's board and accountants Coopers [redacted] Lybrand Deloitte were [redacted] in [redacted] meeting all [redacted] yesterday. Coopers had been commis[redacted] by former [redacted] chairman Mr Brian [redacted] out an independent review [redacted] the company's finances. [redacted] Solomon quit after just three [redacted] on the job [redacted] make room [redacted] an [redacted] tive chairman.

The board was unavailable for comment yesterday.

Alan Paul ran [redacted] difficulties earlier this year, when it [redacted] and [redacted] Place, [redacted] beauty prod[redacted] manufacturer and retailer, was incurring heavy losses. The salon side of the [redacted] was also facing severe difficulties, contrary [redacted] comments [redacted] at the [redacted] of a £5.3m rights issue in September.

Two executive directors – Mr Alan Moss, who was chairman at the time of the cash call, and former managing director Mr Michael Rowland have been suspended from their duties.

A Liverpool broker said yesterday that a raft of questions would have to be answered regarding the validity of the rights issue if the company goes into receivership.

The banks are believed to have become increasingly uneasy over loans made to franchisees, and the level of the company's support for those businesses. Last year Alan Paul bought in some franchisees who were having financial difficulties.

Franchisees of the company have formed a pressure group, demanding [redacted] to [redacted] financial state of the company and the methods by which the franchises were run. Before September, franchisees had a strictly limited access to infor[redacted] regarding payments made from their own business accounts by the accountant commissioned by head office to [redacted]. Several are now facing severe financial [redacted].

An employee of the company [redacted] atmosphere in the [redacted] was uncertain. "We'd all like to know what is going on," she said.

Whessoe moves ahead 14% to £7.2m

By Peggy Hollinger

ACQUISITIONS helped boost pre-tax profits at Whessoe, the engineering [redacted] group, which reported a 14 per [redacted] increase to £7.4m for the year to September 30.

Turnover rose more sharply by 28 per cent to £57.9m. Mr George Duncan, chairman, said the group had "performed well in a tough environment". Progress had been made in all the group's markets.

Earnings per share rose in line with profits, from 22.8p to 25.9p. The dividend is raised from 4.5p to 5.2p, making a total of 7.2p – 15 per cent higher than last year.

During the year, Whessoe bought two companies – Elcon Instruments based in Milan, Italy, and Counex Pipe Systems of the US – for a total of £12m.

The acquisitions formed part of the group's strategy to build up the instrumentation and control division, Mr Duncan said.

Mr Duncan said the group was trading according to expectations in [redacted] early months [redacted] the [redacted]. "We [redacted] the [redacted] acquisitions [redacted] strengthen [redacted] group's performance in [redacted]," [redacted].

Shanks & McEwan leaps 60%

By Richard Gourlay

SHANKS & McEwan, the waste management group, yesterday reported [redacted] 60 per cent increase in interim pre-tax profits after its acquisition last January of Rechem, the hazardous waste disposal company, but only a 1 per cent increase in earnings per share.

In September Shanks said it would be reporting much reduced earnings growth only two months after Mr Roger Hewitt, managing director, told shareholders that the company would continue to grow significantly faster than the market average.

Pre-tax profits for the six months to September 28 rose from £10.4m to £16.7m on sales up one third at £76.6m.

Earnings per share rose from 6.3p to 6.4p but the company is increasing its interim dividend by 9.8 per cent to 2.24p as a measure of confidence that growth will resume following the recession.

Mr Peter Runciman, chairman, said the results were encouraging given the depth of the recession.

Growth had slowed primarily because of the delay in certain businesses being contracted by Shanks rather than because of an evaporation of that business.

The waste disposal business proved to be recession-resistant during the first half of the year.

The construction division continued to perform well although the order book for next year is below what the group regards as a comfortable level.

Shanks shares rose 3p to 206p, 78p below where they stood before the September warning.

DIVIDENDS ANNOUNCED

		[redacted]	[redacted] of payment	Corres - [redacted]	Total [redacted] year	Total last year
Avon Rubber	fin	11.5☆	Feb 28	11.5	[redacted]	16.5
[redacted]		25.7†	Feb [redacted]	23.4	35.6†	32.4
BTP	int	3.1†	Feb 13	2.95	-	8.4
Cape	int	[redacted]	Jan [redacted]	[redacted]	-	10.5
[redacted] Midlands Elect	int	5.1	[redacted]	-	-	10.55
GEC	int	[redacted]	Mar 31	2.55	-	9.25
Latham(James)	int	[redacted]	[redacted] 11	[redacted]	-	8.5
[redacted]	int	4	[redacted]	[redacted]	-	12.1
[redacted] Ashby [redacted]	int	1.7	[redacted] 31	1.7	-	4.1
Mountview [redacted]	int	8	Mar 30	6	-	15
Penna [redacted]	int	1	Jan [redacted]	3.45	-	11.25
Porter Chadburn	int	0.85†	Apr 1	[redacted]	-	2.4
Rowlinson [redacted]	int	0.24	Jan 24	0.24	-	1.35
Salvesen (C)	int	2.9	[redacted] 7	2.75	-	8.5
[redacted] & [redacted]	int	[redacted]	[redacted] 20	2.04	-	5.5
Siebe	int	6.05	Apr 1	[redacted]	-	16.5
Tams (John) [redacted]	int	[redacted]	[redacted]	1.69	-	4
Whessoe	fin	5.2	[redacted]	4.5	7.2	6.25
Yorkshire [redacted]	int	[redacted]	Feb 28	5.9	-	17.7

[redacted] per share [redacted]. *Equ[redacted] allowing [redacted] scrip issue. †On capital [redacted] by rights and/or acquisition issues. §USM stock. ☆Scrip alternative.

Lombard North Central tumbles

Lombard North Central, the finance house arm of National Westminster Bank, yesterday reported a sharp fall in profits for the third successive year after heavy provisions against bad debts, writes David Barchard.

Pre-tax profits in the year to September 30 were £3.2m, down from £33.2m. In 1988, the last year before the recession began to affect the company, it made profits of £120m.

Profits before provisions rose from £136.5 to £175m, but bad debt provisions were up from £103.3m to £171.8m.

Earnings per share fell from 14.7p to 12.6p.

The group has reduced its workforce by 340 to 4,400.

Penna outcome worse than predicted

By Andrew Bolger

PENNA, which specialises [redacted] providing employment counselling for executives, yesterday reported much worse results than predicted in [redacted] profits warning in [redacted].

That warning [redacted] in Penna, [redacted] best-performing [redacted] on [redacted] USM, to collapse from 255p to 103p and last [redacted] Mr Stephen Rowlinson, chairman [redacted] executive, departed suddenly.

The company yesterday said it had incurred [redacted] pre-tax loss of £251,000 in the [redacted] months to September [redacted], compared with [redacted] profit of [redacted] comparable period last [redacted].

In [redacted], Penna [redacted] would make pre-tax profits of "around [redacted]". The shares yesterday closed 3p down at 80p.

Mr John Beard, formerly finance director and new chief executive, said the board had decided that it would be prudent to implement more conservative accounting [redacted] than those envisaged at the time of the profits warning.

[redacted] said: "[redacted] have written [redacted] start-up [redacted] with [redacted] regional [redacted] which [redacted] stream since the beginning of the year. Similarly the costs of the aborted acquisitions investiga[redacted] by the previous chairman have been charged to the profit and loss account."

Although turnover increased by 11 per cent to £3.25m, it had not reached the level anticipated when Penna decided to move into new offices beside London's Covent Garden and open regional offices at Bristol, Manchester and Cambridge.

Losses per share of 3.9p compare with earnings of 12.2p last time. An interim dividend of 1p (3.45p) is declared.

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FINANCIAL TIMES SURVEY

MANAGING FOR RECOVERY

Thursday December 5 1991

Falling interest rates have helped business confidence, but it will be months before this has any impact on statistics for failures in the UK. Managing through a recession requires unique skills and policies. **Charles Batchelor** looks at issues managers now need to address

Great care needed now

THE RECESSION was tough; the upturn may be even harder. If previous experience is a guide, failure rates will increase as companies which have managed to hang on through the lean months face additional strain when demand starts to increase.

Businesses which have just about [illegible] their books during the past two years will have to find extra funds to finance new orders. They will have to do this at a time when the banks have [illegible] in corporate lending and when institutional investors have shown little enthusiasm for rights issues.

Managing for recovery will place even greater strains on managements still gasping from the pressures of the recession. Companies which want to survive the upturn will need to ensure that growth is steady rather than spectacular and well within their financial resources.

"Last time more companies went down coming out of the recession than going in," says Mike Wheeler, a turnaround specialist at accountants KPMG [illegible] Marwick. "[illegible] time they will be buying stocks and increasing their working capital at a time when the banking system is chary of providing finance."

The UK clearing banks have been chastened by the large provisions they have made on their loans to companies, and have tightened up the terms on which they are prepared to lend. At the same time, foreign banks which have suffered during the UK recession will withdraw from the market, or reduce their lending volumes as existing loan agreements expire, Mr Wheeler forecasts.

Most likely to suffer from the tighter market for loan finance are medium-sized, unlisted companies, says Mr Michael Oldham of the corporate recovery department of accountants [illegible] & Williamson.

These companies lack [illegible] broad [illegible] base of larger, quoted groups and are less able to strengthen their finances by the sale of property or non-core subsidiaries. Nor are they able to make use of the stock market for rights issues.

The UK stock market's Big Bang [illegible] the subsequent shake-out among City firms has [illegible] financing options open to [illegible] medium-sized company, [illegible] Pearce, corporate finance partner at Smith [illegible] Williamson. The stockbroking firms which would previously have arranged private placements for these companies [illegible] been swallowed up by financial conglomerates with little interest in such deals.

The tougher obligations imposed on financial advisers by the 1986 Financial Services Act have further diminished the brokers' appetite to assist middle-ranking companies, Mr Pearce believes.

However, many [illegible] problems of the private [illegible] will be shared by the smaller Unlisted Securities Market companies. They have been paid [illegible] by the analysts; have [illegible] unable [illegible] make rights issues; and are generally disillusioned with the supposed benefits of a public quotation.

Several of [illegible] companies have turned to [illegible] capital industry for funds. The venture capitalists have been willing to provide unquoted equity in the form of convertible preference shares to companies such as Pepe, a U[illegible] traded supplier of jeans and casual wear.

But [illegible] when companies are starting [illegible] for the upturn, the [illegible] message [illegible] surveys [illegible] would [illegible] unwise for managers to take their eyes off the recession. Business confidence is improving, but there is little sign of any upturn [illegible] present economic conditions.

After leaping 71 per cent to 33,500 in the first nine months of 1991, business failures will continue to rise after the onset of recovery, according to Dun & Bradstreet, a business information group. Failures rose for two years after the [illegible] of the 1981 recession, [illegible] points [illegible]

The past [illegible] months [illegible] exposed inadequacies in management which appear to justify many [illegible] concerns expressed [illegible] the years about the quality [illegible] management training in the UK.

[illegible] failings which might have [illegible] expected in [illegible] not infrequent in large, supposedly well-managed corporations.

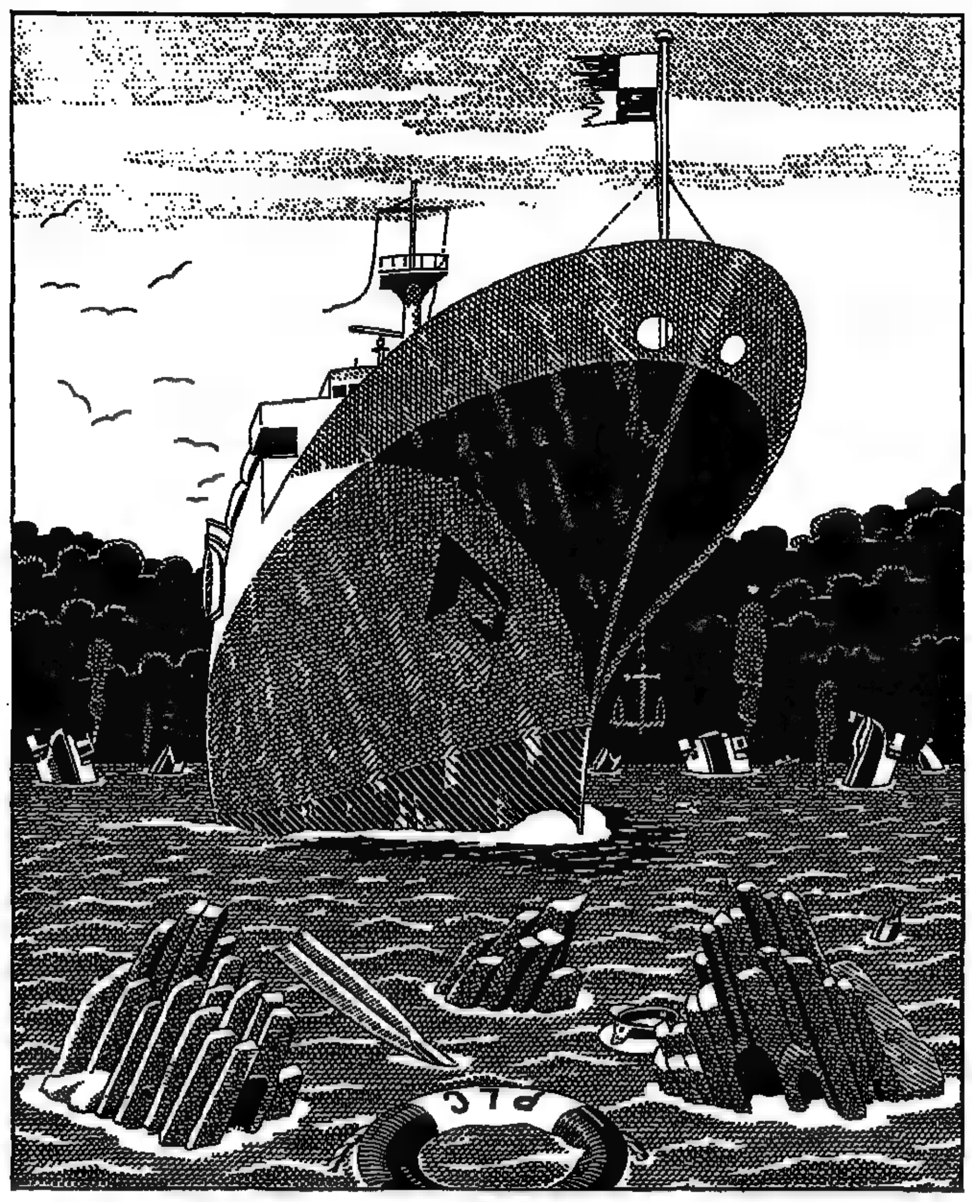
"Companies frequently do not have efficient accounting systems, so they do not know where losses are being made," says Mr Wheeler.

"Managers pay insufficient attention [illegible] the markets in which [illegible] or to the [illegible] their competitors. They do not [illegible] profit [illegible] important [illegible] flow. We go [illegible] some companies, even listed companies, and find [illegible] financial chaos."

A survey [illegible] weaknesses discovered by accountants came up with the following 10 reasons for failure: Poor management; inadequate management information; high gearing; poor financial controls; high interest rates; poor cash management; slow response to changing markets; excessive overheads; lack of a strategic plan; poor communications with banks.

All [illegible] these failings (revealed in a survey carried out by recruitment consultants, Harrison Willis) were ultimately [illegible] back to poor [illegible]ment, according [illegible] insolvency specialists Cork Gully. Even high interest rates could be planned for by forward-thinking managers, it noted.

But why is financial management [illegible] weak in a country [illegible] with more [illegible] population than most? The problem [illegible] experience and the expertise to become finance direc[illegible] still thin on the ground, says Peats' Mr Wheeler. Frequently, strong-minded managing directors [illegible] give their finance director a proper role in decision-making. "When they are making money, many boards [illegible] directors think that keeping [illegible] is less important," he [illegible]



Companies frequently do not develop coherent business plans. "In a lot of cases manag[illegible] don't have a clue about what is happening," says Mr Oldham. "Sometimes the numbers are there – but they [illegible] not all in the [illegible] place."

[illegible] company with annual sales [illegible] £10m and borrowings of £2.5m had no cash flow forecast for [illegible] rest [illegible] financial [illegible], let alone a rolling fore[illegible] months. "They had bits of paper showing their cash position [illegible] the day and [illegible] state of their bank account," comments [illegible] Oldham. "They were making investments in plant and machinery financed on over[illegible] with no idea [illegible] the implications [illegible] that [illegible] future [illegible] flow."

Even when managers realise they have a problem they will often identify it as being simply one of a lack of finance, rather than reflecting any failing on their part. They may then be panicked into looking for extra funds without informing their existing financial backers. "Often companies go out to raise extra finance with[illegible] checking to [illegible] how [illegible] react," [illegible] Roger Gewolb, a corporate [illegible] specialist.

This damages the company's relationship with its bank and has been known to lead the bank manager to call in loans. As pressures build up on company managers, they will contemplate any course of action except the most sensible one: sitting down to discuss their problems among [illegible] their [illegible]

Some [illegible] waste precious [illegible] chasing wild schemes [illegible] sign up new partners on [illegible] which would [illegible] unfavour[illegible] to [illegible] companies, [illegible] Mr Gewolb.

Unfortunately [illegible] struggling [illegible], an attempt to give struggling companies more time to arrange their affairs along [illegible] lines of the Chapter 11 procedure in [illegible] has proved ineffective. Administrati[illegible] and a procedure known as a "company voluntary arrangement" introduced in the 1986 Insolvency Act have proved inadequate and unpopular methods for giving a company breathing space. Administrations incur heavy professional fees, with no guarantee [illegible] will make [illegible] order, while [illegible] voluntary arrangements frequently trig[illegible] creditors' stampede they were [illegible] prevent.

[illegible] there [illegible] no provision in [illegible] legislation for a [illegible] temporarily [illegible] suspend [illegible] rights – [illegible] with voluntary arrangements for individuals [illegible] unincorporated businesses – [illegible] company [illegible] creditors' meeting [illegible] the [illegible]

[illegible] experience [illegible] that [illegible] legislative change [illegible] needed [illegible] provide a really effective means of saving struggling businesses.

But [illegible] learned [illegible] shake-out [illegible] has taken place? The [illegible] have [illegible] reminded [illegible] the dangers of relaxing [illegible] lending criteria when times are good, although this will bring little joy to managements when the upturn comes.

Managers have been shown, [illegible] for [illegible] time, the need [illegible] tight controls over finances. Managing the upturn will require a [illegible] planning for growth [illegible] allowing expansion to damage already depleted balancesheets.

IN THIS SURVEY

Illustration: [illegible]

Credit control can make or break, says **Charles Batchelor**

When the buck slows

EFFECTIVE credit control, or put more simply, getting paid on time, frequently calls for a degree of ingenuity. The managing director of one small company recently bought a wheel clamp to immobilise the car of a persistent slow payer. He also sends a cab round to customers who promise to put a cheque in the post, thus guaranteeing the cheque gets written and paid promptly into his account.

The late settlement of trade debts has become a significant concern of organisations like the Confederation of British Industry (CBI) and the small firms' lobby groups. Businesses, particularly small ones which can exercise very little influence over larger customers, are going bust solely because they are not being paid on time.

Nearly one in five small and medium-sized businesses say their survival is threatened by delayed payments, according to a CBI survey published at the beginning of 1991. This represented a marked worsening from four years earlier, which had shown that "only" one in 10 businesses had suffered serious problems.

Britain is not the only country with a poor payments record, though British companies are harder hit than their counterparts in most of continental Europe. British businesses usually write payment terms of 30 days into their contracts, but wait on average 78 days to get their money. This compares with waiting times of 48 days in Germany and Sweden, according to a survey by Intrum Justitia, a credit management group. It calculated that small firms in Britain were owed a total of £60bn by their customers.

Many large companies deliberately adopt a policy of delaying payments to improve their own cash flow. Their small suppliers can do little but wait for their money.

Business lobbyists have been attempting for several years to bring about a change in the law to tighten up on payments. One suggestion is for small businesses to be given the automatic right to charge interest on overdue payments. The government has refused to oblige, arguing that it would be difficult to draw up effective legislation and that any attempt to do so would only add to red tape.

Another tack is to call for changes in court procedures which at present make it difficult for claimants to obtain payment from dilatory customers. The Federation of Small Businesses wants court judgments to be followed by automatic enforcement hearings to ensure claimants actually get their money.

It also wants 30 days to be considered the "normal" payment term, unless a different period is specified in contracts, and the publication of the names of defaulters who have not paid their debts.

So far, these attempts to engineer change have had no effect. There are signs, though, that banks are becoming concerned at the impact of late payment. Lord Alexander, chairman of National Westminster Bank, said last month that legislation might be needed to back up the government's voluntary initiatives.

The banks are keen to throw the spotlight on this issue, having themselves been criticised for levying excessive interest charges. But many disinterested observers agree with the banks that interest charges are a far less important factor in business failure than the late payment of debt.

Sound credit controls should avoid a business getting into a position where it has to chase up late payers. Credit management should start with a thorough investigation of potential customers, the experts suggest.

It may not be cost effective to carry out extensive investigations for a small sale, but if the order is significant a company should ask for a bank reference and two trade references. These should be checked and specific questions asked. Up to what level of trade is someone considered a good risk? In addition to making its own inquiries a company can ask a credit reference agency to provide detailed assessments of potential customers' finances and their ability to pay their bills.

A company should put its credit policy in writing to cut the time it takes to accept or reject an order and to reduce the likelihood of a wrong credit decision, say accountants BDO Binder Hamlyn. A named employee should be put in charge of the company's credit control policies, and all routine credit decisions.

If the company is dealing with a new or riskier customer, it should take steps to protect its financial position by using letters of credit; making only partial shipments until part-payment has been made; asking for personal guarantees; or taking out credit insurance.

Invoices should be prepared promptly, and where possible sent out with the delivery or as soon as it is despatched, Binder Hamlyn recommends. Invoices should be prepared in line with the customer's requirements. A missing purchase order number, for example, may be used as an [illegible] to defer payment.

Once delivery has been made and the invoice has been sent, payments should be closely monitored. The supplier should decide what action to take at predetermined times. It should be ready to chase payments according to a predetermined pattern, for example when a customer is 30, 45, 60, 75 and 90 days overdue. A telephone call is usually far more effective than a letter.

If a customer disputes a payment because the delivery documents were not in order or the goods delivered did not meet the specification, the problem should be investigated as soon as possible. The disputed debt may be a genuine case of poor service or a product quality problem. Whether or not the customer's complaint is justified, early action will speed up the payment.

Cash discounts can be used to ensure early payment, while interest may be charged on overdue accounts. But care must be taken with this approach. Some customers attempt to take discounts even when they have not paid on time, so some companies are wary of using this technique. The supplier must decide in advance if it is worth running the risk of losing a valued customer by re-invoicing him for taking unwarranted discounts, or by charging a penalty for late payment.

Monitoring payments should not be left to the credit department or accounts. Managers can encourage sales staff to deal only with reliable customers by involving sales in the debt collection effort. Commissions might be reduced on overdue accounts to encourage sales staff to contact poor payers. Commission payments can be held up until the invoice involved has been paid. This discourages sales staff from doing business with customers they know will not pay on time.

Credit control is costly and time-consuming, but it also an essential part of managing the business. By taking this issue seriously at an early stage in the sales cycle, companies can at least reduce the drain on their resources.

Cash flow and stock control are vital, writes **Charles Batchelor**

Lesson of the corner shop

MR MICAWBER, Dickens' perpetual optimist, had a sure, if theoretical, grasp of the principle of managing cash flow. "Annual income twenty pounds, annual expenditure nineteen nineteen six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery."

If only Mr Micawber could have steeled himself to apply the theory to his own financial affairs, he would never have had to flee the country and end his days in Australia.

But as recent business failure rates graphically testify, many managers have failed to apply the discipline of cash flow management so succinctly expressed by David Copperfield's genial acquaintance. And while businesses can sometimes survive, for a time, without profits, none can withstand a failure to maintain a positive cash flow.

Smaller businesses often lack the management resources and sophisticated systems available to the large company, but poor cash flow management is prevalent across the board, accountants and recovery specialists report.

Cash management techniques are often rudimentary or non-existent in even quite sizeable subsidiaries of large diversified companies. "In many corporations cash management has not previously existed at subsidiary level," says Terence McKenna, managing director of Corporate Venturing, a corporate recovery specialist.

"Subsidiaries often measure their performance against budgets rather than measuring actual cash flow," he says. "In the past, corporations have tolerated negative cash flows. But subsidiaries are now being forced to stand on their own feet and review their priorities, with cash appearing at the top of the list."

"Every company should be run like the corner shop – for cash," says Roger Gewolb, a corporate recovery specialist. "But the bigger they get, the more reluctant they are to look after the cash." He gave as an example of this reluctance the story of one company which, while doubling its turnover, still refused to take seriously the idea that cash flow should be managed on a weekly basis.

Cash flow planning is essential to ensure a business has money in the bank with which to pay its debtors. Many businesses put all their efforts into gaining orders but fail to realise that the task is not complete until they have received payment. While getting paid on time is an important part of managing cash flow, every area of a company's activities needs to be managed for cash.

Few companies organise every aspect of their business with equal efficiency, according to accountants Blackstone Franks. There may be a bias to production or to sales, which leads to a neglect of financial planning in another area.

"It is worth looking at any business to see if there is a neglected area of cash flow resources waiting to be unlocked," says Lance Blackstone, a partner. Companies should review every step in the sales and production cycle to see if it can be shortened, started earlier or reorganised so that less money is tied up.

Mr Blackstone suggests isolating the different asset headings – fixed assets, investments, stock, debtors, bank balances and cash in hand – on the most recent balance sheet. Management should then see how much money is tied up in each area and how this particular allocation arose in the first place.

Management should ask who controls each area, and which ones tend to win in the competition for resources within the business. Why does a particular area prevail and what implications does this have for management?

Finally, managers should consider whether there is a formal planning procedure to decide on the allocation of resources or whether it happens by default.

The answers to these questions will show whether changes are needed in the way the company sets policy and manages its business.

Stock control is an important area where tight management can reduce the working capital required in the business and boost cash flow, financial specialists suggest. Excessive stocks may increase a company's borrowing requirement and hence its interest bill. They also take up costly storage space and increase insurance charges.

Sophisticated computerised stock control systems are available but they can be complex and costly. Other more simple techniques can also achieve dramatic savings, according to accountants BDO Binder Hamlyn. Managers should get into the habit of periodically walking through the premises, talking to employees and identifying stocks in excess of reasonable needs. This will identify slow moving or obsolescent items which can be sold at a discount or for scrap.

Garment manufacturers and other businesses in fashion-dependent sectors are frequently prone to hang on to unsold stocks in the hope that they will come back into fashion. But this may take years and in the meantime stocks will deteriorate and the cost of financing them will escalate.

One retail store selling jeans and casual clothing detected that hooded tops, all the rage in April, were starting to go out of fashion by June. The company moved fast, cut prices and had almost cleared its stocks by August, when other less responsive retailers were starting to discount.

The first step in reducing excessive stocks is to identify a safe minimum level. Stock levels may be excessive if stock turns over slowly or at rates below the industry aver[illegible] remain in store for [illegible] periods – "the dust [illegible] if stocks continually [illegible] to fill the storage [illegible]ailable.

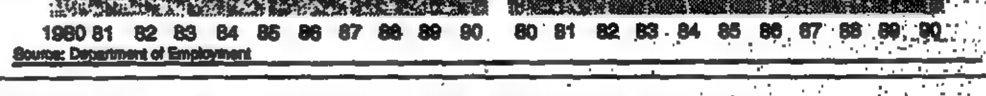
Controlling purchasing is a significant part of stock control, Binder Hamlyn suggest. [illegible]chasing techniques which [illegible] lead to significant cost [illegible]ductions include putting major items out to competitive tender; signing up exclusive buying arrangements; comparing the cost of making versus buying in; and shifting the responsibility for maintaining stocks to suppliers.

Tighter internal controls are an essential part of improving cash flow but external help may also prove useful, particularly to the fast growing business. Factoring, whereby a company sub-contracts the management of its sales ledger, grew in popularity during the 1980s. The factor will pay up to 80 per cent of the value of invoices immediately and the remainder, minus a fee, when the customer pays.

Factoring is a flexible form of financing which, unlike a bank loan or overdraft, expands automatically in line with increasing sales volumes. However, companies must weigh up whether the improvement to cash flow and the removal of the burden of chasing up slow-payers are worth the factor's charges. Some companies will not use factors because they regard them as too expensive, but an increasing number has done so to help them through a difficult stage in their growth.

A trail of "for sale" and "to let" boards, almost outnumbering traders' signs, bears testimony to business troubles

Business starts : VAT statistics



Source: Department of Employment

Andrew Jack on the legal state of play

The 1986 Act controversy

THERE MAY not be many obvious links between insolvency and marriage, but both have been labelled as institutions heavily tarnished by Britain's residual sense of Victorian values.

Steve Hill, a technical partner with Cork Gully, the insolvency arm of Coopers & Lybrand Deloitte, would like to see British attitudes towards companies that are in trouble veering towards the US model.

"In the UK we are still dominated by the idea of the debtors' prison, where you go if you don't pay all your debts," he says. "American culture is much more geared to the concept that the first attempt is always a rescue. We need much more of a rescue culture over here."

Like many in the profession, he is critical of the 1986 Insolvency Act, the most recent and significant piece of legislation governing his work. Changes he would like to see include a new option for insolvent companies that would require, ironically, less intervention from practitioners like himself.

When the Insolvency Act was passed five years ago, adorned with more than a thousand amendments, it fundamentally changed the shape of the profession. Perhaps most importantly, it created a new option for companies unable to pay their debts.

Since 1986, at the request of a company's directors, the courts have been able to appoint insolvency practitioners as "administrators". If it does, the management is granted a stay from the creditors for about three months while administrators analyse the company and put forward proposals to restructure and save it.

The creditors are then able to vote for a "company voluntary agreement" to allow the administrators time to fully develop their proposals. Creditors and shareholders can vote to accept the restructured company. If they approve, it will be able to continue to trade.

Many people, understandably, confuse administration with administrative receivership, under which insolvency practitioners take control of the company at the request of the creditors and repay them as fully as possible by selling off its assets. Individual businesses might survive, but the parent company is destroyed.

Administration has had limited success. A handful of public companies have certainly been salvaged as a result of the procedure. Few reliable statistics exist, but a recent estimate by Cork Gully suggested that just 2 per cent of insolvencies go into administration.

The main reason the route is not more widely chosen is because of the cost. Administrators have to be brought in as soon as the court has approved the process. They are likely to remain months later as supervisors to the business long after creditors have approved any restructuring plan. As a result, it is only in the larger companies that administration is likely to succeed.

Issues of perception may also be significant. A recent Cork Gully discussion paper calling for a "rescue culture" in Britain suggested that some judges look for reasons to refuse rather than accept administration orders in the courts.

Mr Bill Ratford, a partner with KPMG Peat Marwick, was never an enthusiast for administration as defined under the act. "It was not a procedure we would have chosen," he says. "It is bureaucratic, tied up with the courts, and expensive. It was a plus to have something, but it was a disappointment."

However, no-one wants to adopt the nearest US equivalent, Chapter 11, which keeps management of the company in the hands of the existing directors while protecting them from their creditors. That is judged too long-winded and costly.

"In Chapter 11, each class of creditors has its own insolvency practitioners," says Mr Hill. "They argue with each other while the pot of money for the creditors shrinks."

What a number of insolvency practitioners have lobbied for is a simpler procedure for small and medium-sized companies which would give them a short period of a few weeks protected from their creditors, but without the need to call in administrators.

That would allow the directors to devise a plan to turn the company around. They might seek professional help, but would not be obliged to hand over running the company to outside consultants.

With a plan adopted, the practitioners would be involved, but in a far more modest, back seat role than under administration, simply monitoring the implementation of any restructuring.

One issue which was not addressed by the 1986 Act was the use of money collected by the practitioners during insolvencies. Anything raised from the sale of assets must be held in a special government bank account called the Insolvency Services Account. This pays a limited, taxable rate of interest for the creditors, while the government invests the money and uses the difference to fund the Department of Trade and Industry's insolvency service.

Most in the industry consider it an unfair requirement. "It's almost robbery without violence," says Mr Ratford. Adds Mr Hill: "That money really belongs in the creditors' pockets. I think the insolvency service should be funded by the general taxpayer."

Among controversial clauses in the 1986 Act is one which provides for disqualification and personal liability for company directors judged to have acted negligently.

Many are questioning how effective the legislation has proved. According to DTI figures, 1,238 directors have been disqualified since the Act was introduced, most for five years or less. That represents a minute fraction of the total number of insolvencies during the period.

"You do see a lot of cases where you look at the mess on your desk from a company and ask yourself whether this director is fit to run a business," says Mr Hill. "I would like to see far more disqualifications."

There is one aspect of the Act which most existing practitioners welcome, however. Whereas there were virtually no entry requirements into the profession before 1986, since that date strict methods of entry apply. Practitioners must now take an exam to receive their licence before they can operate.

"Speaking as one of the monopoly-holders," says Mr Hill, "I do think that was a good idea."

Peter Wilson on corporate restructuring

Laying the ghosts of defunct strategies

ECONOMIC growth in the late 1980s brought with it an explosion in the opportunities facing cash-rich businesses. By diversifying, they could exploit apparent synergies in the drive for cost leadership.

It was widely believed that potential gains far outweighed the risks of straying into uncharted waters. Many companies made money. Then came the recession and performance flagged.

It is instructive to reflect on why this happened.

Corporate planners came to the view that, with margins eroded by competition in existing markets, profits lay in new products and new markets.

After a period of sustained growth, management felt almost superhuman. Emergent technologies favoured large-scale production, and significant cost advantages awaited entrants into growth industries such as consumer electronics, motor cars and household appliances. This trend was helped by government incentives for companies to restructure into larger units of production.

Boards of directors grew smug, and based strategies on mistaken views. It was common to hear them describe their companies' strengths in terms of "production capability" and "organisational competence". It was easy to move into unrelated markets with such beliefs. After all, products needed manufacturing and organising to get them to market.

When the bubble burst at the end of the 1980s, many companies were left with a legacy of unrelated activities – separate businesses, for example, or product/market groups. In some cases these are dragging the parent company towards oblivion.

Instead of looking inwards, these companies should now be defining their business interests in terms of what they do for their customers. Knowledge of customers' needs should determine strategy and the kinds of businesses that could deliver the strategy. It is too costly to think otherwise.

In recent months companies have shaken out unprofitable activities, and [illegible] regrouping around a smaller number of strategic core businesses. The focus is increasingly on similar or related market segments, where changes in buying behaviour can be more easily monitored and customer needs satisfied profitably.

Examples of [illegible] restructurings include:

- British Aerospace has announced the sale of an aircraft components subsidiary which does not fit core defence and civil aerospace businesses. It is still unclear where this leaves Rover [illegible] and other unrelated property interests, [illegible] as core activities.
- BET has been cutting head office costs and has sold non-core businesses to reduce gearing from 122 per cent to 38 per cent. Financial restructuring from short-term to long-term debt has been implemented to generate cash.
- Thorn EMI has sold Ferguson, Inmos and its software activities to concentrate on its core music and rentals businesses. At the same time, the company has expanded in the music area and will continue to make music-related acquisitions.
- Morgan Crucible has disposed of non-core activities. Cost-cutting through mergers, and expansion of the ceramics and carbon businesses through acquisitions in the USA, have formed the basis of restructuring.
- Brent Walker's [illegible] proposals to expand core pub ownership to 3,500 outlets and develop William Hill betting shops have been boosted by disposals of unrelated activities and financial restructuring to convert debt to equity.

Countless companies have been scrutinising their activities for clues to declining profitability

Countless other companies have been scrutinising their activities to identify underlying causes of declining profitability and tattered balance sheets. Boots, for instance, has been hampered by poor performance from Ward White. Can a retail chemist and pharmaceutical company succeed in other areas of retailing?

Olivetti is another example. The group's declining fortunes could be reversed by cost cutting, new product development, alliances with key players and sourcing in low-cost producing countries. But more radical restructuring by Mr Carlo De Benedetti, Olivetti's chief executive officer, might eventually be necessary. Cutting corporate life-support to ailing subsidiaries is a [illegible] decision to make, but [illegible] business activities could [illegible] on it.

For the privately-owned company, restructuring has had a different emphasis, albeit following [illegible] process. [illegible] of regrouping several [illegible] around core activities, the [illegible] complex, [illegible] seeking [illegible] restructure has concentrated its efforts on a [illegible] of marketing strategy. Reorganisation has still been an important source of profits, but the smaller [illegible] could not expect to achieve significant gains by cutting costs alone.

A careful examination of the beliefs and assumptions that have underpinned strategy has often been the starting point. Dependence on successful, single products and the benefits of paternalistic management by the founders and controlling shareholders are two common examples. These perceived strengths have turned out to be weaknesses in a rapidly changing market.

Normally, restructuring has required changes in top [illegible]. This [illegible] difficult [illegible] in smaller companies where [illegible] are [illegible]. Nor [illegible] been [illegible] pressure from external [illegible] to [illegible] down unprofitable parts [illegible]. Many owners have strong emotional ties with [illegible] activities, typically because they [illegible] with them.

They must overcome these emotions however and start the restructuring process. There are five distinct steps:

- Auditing the business base by identifying sources of profits and key strengths and weaknesses in strategic business units, and reviewing the opportunity structure in each.
- Identifying product and market options and evaluating [illegible] in terms of prospects, profitability, [illegible] generation and organisational change.
- Making [illegible] in the areas of products, markets, operations, organisation and finance.
- Deciding on appropriate vehicles to achieve objectives, such as organic growth or contraction, acquisitions, [illegible] or disposals, strategic alliances, corporate venturing or greenfield [illegible] development.
- Implementing the strategy by cutting overheads and raising [illegible] margins to lower the breakeven, with financial restructuring to reduce gearing and generate cash. These actions should be spelled out explicitly in a corporate restructuring plan, covering marketing, operations and finance for each business, with full consideration of compatibility between different business units.

It is generally easier to do more for existing customers than for new [illegible]. In following this simple rule, restructuring has tended to reduce the spread of core activities as well as [illegible] disposal of non-core businesses. The underlying rationale has been the need to realign business strategies with the capabilities [illegible] people who direct, manage and [illegible].

When times are tough, being in the wrong business is an extravagance that no shareholder will tolerate for long. [illegible] focusing [illegible] is not merely the [illegible] fashion. Rather, as a model for [illegible] development, it is a return to [illegible] of the fundamental principles and practices that have been [illegible] far too long.

The insolvency barons are doing just fine, writes **Andrew Jack**, but ...

Don't go calling them coffin chasers

IF THERE is one sure way to antagonise an insolvency practitioner, it is to joke about how well business is doing while the rest of the country is suffering in the recession. The image they are desperate to avoid is that of professional vultures swooping over corporate carcasses.

Many go to some lengths to stress the positive side of their work, euphemistically calling themselves "corporate recovery" or "restructuring" specialists.

But the fact remains that while a vast number of British businesses are struggling as a result of the economic downturn, work in insolvency has never been better.

"It's sadly very busy," says Chris Hughes, managing partner of Cork Gully, the insolvency arm of Coopers & Lybrand Deloitte, and unquestionably the largest practitioner in the business, with fee income cited as £84m for the last financial year.

Coopers & Lybrand Deloitte has increased staff to 900 from about 700 a year ago

The firm has increased its staff to 900, compared with about 700 at this time last year and 650 two years ago. "There has been a significant increase in numbers and a higher utilisation of staff," says Mr Hughes.

Mr Mark Homan, head of corporate reconstruction at Price Waterhouse, paints a similar picture. "Our turnover has doubled in the last two years," he says. "We have added staff and the existing ones are working an awful lot of extra hours. The insolvency profession is in for a busy couple of years."

The corporate reconstruction division claimed fee income of £27.6m in the year to March 31, 1991, or 7 per cent of all revenues at Price Waterhouse, compared with 4.5 per cent a year earlier.

The pattern recurs at every level of the profession. "Firms are now just sitting back and waiting for the work to come in," says Mr Philip Monjack, [illegible] partner with Leonard Curtis, a small accountancy firm based in London which does nothing but insolvencies.

He says staffing has risen from 40 to 60 over the last two years. The firm has opened branch offices in Manchester and Brighton. It hopes to open a further one in the Midlands or the West of England by the end of 1993.

There are signs that the recent breathless rise in business is now beginning to slow. "I don't think we're as ludicrously busy as we were in [illegible]," says Mr Homan. Business has, however, [illegible] "at a fairly high level".

There will be no decline in the overall volume of insolvency business for some time to come. Insolvency practitioners have the benefit of being able to judge things in terms of previous recessionary cycles. Based on experience, many talk about an [illegible] lag after the recession ends before the number of receiverships begins to decline. While companies struggle to recover as the economy picks up, a large [illegible] are [illegible] to find working capital [illegible] their growth, and run into difficulties.

One thing that has changed since the last recession is the state of the insolvency profession itself. The 1986 Insolvency Act introduced the concept of administration, a new option for insolvent companies which offers them the prospect of survival if the [illegible] in favour of a restructuring plan proposed by [illegible] (who must be insolvency practitioners).

The Act [illegible] to firms' costs, too, points out Chris Hughes, by introducing a series of new requirements including reports to creditors, and to the DTI on directors, which were not previously mandated.

'The quality has improved ... There were a few cowboys in the past'

It also tightened up on the qualifications required by people wanting to practice. It introduced licensing for practitioners and paved the way for professional examinations, which were finally introduced last year.

As a result, Mr Ian Bond, president of the [illegible] Practitioners of Insolvency and a partner with Cork Gully, [illegible]: "The quality has improved quite a lot [illegible]. There were a few cowboys in the past. The [illegible] practitioner is more competent now."

At the same time, the mergers among the larger accountancy firms have created several giant companies incorporating insolvency practices, which have taken over substantial market share from some of the smaller firms. Mr Homan believes this process is not yet complete, although he says there will always be a role for small firms as well.

The balance of business continues to vary between different firms, with some taking on a large element of "investigations" or exploratory work to balance their "executory" insolvency practice. Investigations are often commissioned by a bank to assess whether to extend loans to a business, and may well never lead to insolvency. Its contribution to fees generally rises in more healthy economic periods and helps counterbalance the decline in insolvency.

Evaluating the work of the insolvency firms is [illegible]. To [illegible] them for presiding over corporate dismemberment is hardly fair, [illegible] they are generally called to [illegible] ordained by law.

"We don't [illegible] the problem," says Chris Hughes. "We try to bring some order and decisiveness to a [illegible] fraught [illegible]. We are not so much trading on misfortune as trying to sort it out and [illegible] it."

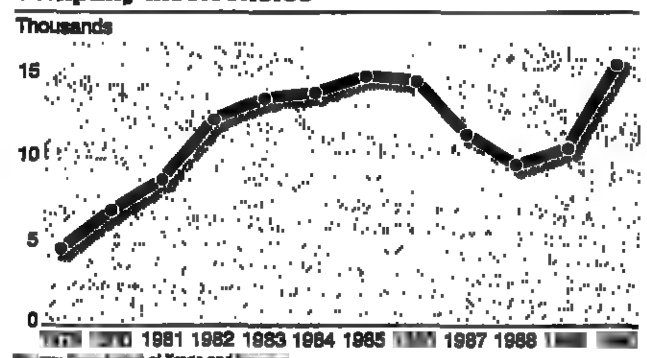
The paucity of statistics makes it difficult to assess how effectively they generate the best prices for assets sold, or how much more they might be able to do to maintain ailing businesses.

However, [illegible] which [illegible] make them an [illegible] of criticism [illegible]. Mr Hughes argues that they are under constant competitive pressure. Others argue that the banks would not use the same firms time and again if the fees were [illegible] – particularly since higher professional fees [illegible] for the creditors. They also point out that as a proportion of realised assets, the fees are very small.

Mark Homan, choosing his words carefully, says: "Fee levels have returned to more sensible levels than during the mid to late 1980s when there was significant price cutting."

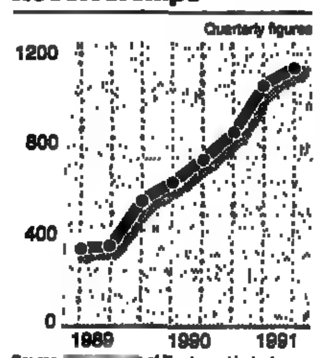
He is hurt by recent speculations on his salary. "It's a nonsense," he says. "I am taking home this year [illegible] I did last year. We are taking very [illegible] but I share them with the partners in parts of the business that are suffering. It helps to offset the downturn which is happening elsewhere."

Company Insolvencies



Source: [illegible] of Trade and [illegible]

Receiverships



Source: [illegible] of Trade and Industry

It has been a mixed year for equity finance, writes **Philip Coggan**

The drawbridge of the stock market has been raised

IT HAS been a mixed year for British companies wishing to raise equity finance.

Those within the inner sanctum of the stock market have found it relatively easy to raise funds: almost £10bn in rights issues had been launched by the end of November, close to the [illegible] of 1987.

But those who had not already joined the exchange have found that the drawbridge has been raised. The new issues market has [illegible] to a halt.

According to [illegible] Peat Marwick, there were only 68 stock market flotations in the first nine months of the year, the lowest level for seven years, and less than half the figure for [illegible].

Why the disparity? One reason is the downturn in the UK economy. To launch a successful new issue, companies need to produce a record of steadily growing profits. Many will have found that difficult to achieve in the face of high interest rates in 1989-90 and then a decline in GDP in 1991.

The number of new issues would be even more depressed were it not for investment trust [illegible]. In [illegible], if one excludes the privatised electricity companies, only 23 of the companies which joined the main market were actually industrial or commercial groups.

Profits may recover in 1992 but given the three-year trading record [illegible] for companies to join the main market, it may be 1993 or 1994 before new [illegible] in substantial numbers.

The Unlisted [illegible] Market (which requires a two year trading record) [illegible] be dying a slow death by asphyxiation, as most companies have decided to wait one extra year for a main market listing.

The flurry of rights issues has fallen into two categories:

The first includes companies that are in "distress" conditions, where institutions agree to support rights issues in order to protect the value of their existing investments.

The second category [illegible] of those companies which have been able to escape some of the [illegible] of the [illegible] either because of [illegible] earnings or because they are in a sector where spending has been relatively stable, for example, food retailing.

According to Bob Semple, head of UK research at County NatWest, it is this second sector which has dominated in 1991, with companies which have "good [illegible] to tell" finding it easy to get [illegible] away.

Share prices in general have been buoyant this year as the Gulf [illegible] has [illegible] from memory and investors have been able to look ahead to the recovery of the UK economy in 1992-93. The FT-SE 100 Index has reached record highs (in nominal terms at least), and institutions have had reasonably healthy cash flows.

Many UK corporate balance sheets are still weak following the 'borrowing binge' of the late 1980s

making it a lot [illegible] for strong companies to raise funds.

[illegible] been limited in 1991 but Mr [illegible] anticipates [illegible] may dominate in [illegible] with a further £10bn of rights offerings that year. Many UK corporate balance sheets are still weak following the "borrowing binge" of the late 1980s. However, distress issues are much more difficult to sell to investors and the second half of 1991 saw a number of flops, including issues from British Aerospace and Hillsdown Holdings.

The year ahead may see an interesting clash between the needs of companies and the appetite of [illegible] for [illegible] paper, especially now that a government gilt programme will be competing for institutional cash.

Companies that want to raise new funds will need to [illegible] that they prepare a convincing case for their institutional investors, if they want to get their issues underwritten. Vague plans for expansion or reorganisation will not be good enough.

Times have also been harder for unquoted companies trying to raise new equity finance. The venture capital industry has been hit by a combination of over-optimistic assumptions in the mid-1980s and the effect of high interest rates and the recession on unquoted companies.

The [illegible] of the [illegible] on many unquoted companies has been particularly marked. Management [illegible] are more limited at such companies, which tend to [illegible] which [illegible] helped the blue chips through the UK economic downturn.

Investment trusts specialising in the unquoted sector have been forced to [illegible] values. Bad experiences with [illegible] such as Gresham [illegible] and Ensign have made investors suspicious of the valuations placed by [illegible] managers on assets, with the result that most [illegible] in the [illegible] at substantial [illegible]. It is hoped that a move, led by the British Venture Capital Association, towards conservative industry-wide valuation assumptions will [illegible].

Meanwhile, several large [illegible] capital providers have withdrawn or [illegible] in their [illegible]. The [illegible] hopes of 30 to [illegible] annual returns, trumpeted in the [illegible].

Those [illegible] capitalists which have [illegible] in the [illegible] have [illegible] to [illegible] on the later [illegible] of company development. A [illegible] example [illegible] Causeway fund [illegible] which provides development capital for [illegible] quoted companies.

Nor has the sorry [illegible] the [illegible] market helped venture capitalists, with many being [illegible] to realise their investments via a [illegible] (which can [illegible] flexibility [illegible] want to sell only [illegible] of their holdings).

[illegible] simply accepted that they have to hang on for better times.

Small companies have been able to turn to other sources of finance, such as factoring, however. The [illegible] understandably made customers slow to pay, and the debt collection service provided by a [illegible] can be of enormous help to a company's cash flow.

[illegible] factoring – where the company is guaranteed payment – can even be obtained, in return for a higher fee. During the end of the recession, and in the early stages of recovery, [illegible] companies may be [illegible] to look harder at alternative finance sources such as factoring and leasing.

The number that can use the equity [illegible] for fund-raising will be severely limited.

Canadian [redacted] suppliers dispute US price ruling

By Bernard Simon in Toronto

A MOVE BY California regulators [redacted] bring [redacted] the *price of* [redacted] *consumers* has provoked an angry dispute with Canadian [redacted] producers.

The Alberta provincial government said this week that it will take retaliatory action against an order by the California Public Utilities Commission (CPUC) which would open access to the southbound pipeline [redacted] sold at market prices, at the [redacted] *higher-priced shipments* under long-term contracts.

At the same time, Canada's energy minister Mr Jake Epp has threatened to invoke the *dispute settlement mechanism* of the US-Canada free trade agreement to stop what Ottawa regards as discrimination against Canadian suppliers.

Western Canadian producers export about 1bn cubic feet of gas a day to California, equivalent to 40 per cent of their output.

The bulk of the gas is shipped under contracts between a consortium of 190 producers and a subsidiary of Pacific Gas & Electric, the [redacted] power utility.

The unremitting North American [redacted] "bubble" has [redacted] *forced the producers to* [redacted] Competi[redacted] from spot-market supplies would almost certainly put further pressure on their returns.

The CPUC [redacted] *month* ordered [redacted] pipeline from [redacted] should [redacted] opened [redacted] brokered supplies, [redacted] with shipments from US prod[redacted]

Ms Patricia Eckert, CPUC's president, said that she wanted to encourage Canada to adopt a "stand-back-and-let-the-market-[redacted]" approach.

"[redacted] longer will [redacted] CPUC regulatory involvement be perceived as impeding direct negotiation with the producer [redacted] *choice," Ms Eckert said. The* CPUC's order is due to take effect next [redacted]

The producers view the [redacted] actions as tantamount *to a unilateral abrogation of* their contracts, which are due to run to 1994. They also contend that greater price uncertainty would discourage future *investment in the natural gas* industry. D[redacted] are under [redacted] on [redacted] projects to expand [redacted] capacity from Alberta to California, *one of which* [redacted] the existing pipeline.

Retaliatory measures planned by [redacted] withholding export permits for *interruptable short-term supplies* [redacted] gas which could be used to replace [redacted] normally shipped by the supply pool under the long-term [redacted]

Copper traders uneasy in wake of LME intervention

By Kenneth Gooding, Mining Correspondent

A FURIOUS debate about the *technical* squeeze in the London Metal Exchange's copper market flared up yesterday following the LME's [redacted] dented decision on Tuesday to *limit* [redacted] *backwardation* (premium for metal for immediate delivery compared with copper for delivery in three months).

Some [redacted] who believe the *squeeze* has kept copper pric[redacted] at artificially high levels, [redacted] why [redacted] LME had not acted earlier.

Mr David King, the exchange's chief executive, [redacted] he still [redacted] non-intervention, but this [redacted] there [redacted] *prospect* [redacted] excessive [redacted] unwarranted volatility in the copper price and an unnecessarily high [redacted] He expected the £25 [redacted] tonne [redacted] day limit on the backwardation to remain in place at least for the rest of [redacted]

Traders suggested LME operated in a way that created conditions for squeezes, citing in particular the *fact* that the options delivery day coincided with the futures delivery day on the third Wednesday of each month.

One said he had become *increasingly uneasy* about the way the market had developed in the past year. "I am fearful for the market and I am fearful for the LME because of what has happened and is happening," he told Reuter.

Traders suggested that Sumitomo *Corporation of Japan*, which controls much of the copper stocks in LME warehouses, first attempted to squeeze the market in May but was unsuccessful. "Since then he [Mr Yasuo Hamanaka, the senior Sumitomo manager who heads its copper trading business] has been rolling it, building a bigger position and not enough copper has been delivered to the market to dissuade him," said one.

Analysts and traders said they found it hard to accept comments by Mr Hamanaka that his group had not tried to *manipulate the copper price* and acted only on clients' orders. "It is disingenuous. The argument that you need physical metal in European warehouses to satisfy just-in-time orders in Asia is difficult to swallow," said Mr Phillip Crowson, senior *economic* adviser at RTZ.

Mr Robin Bhar, analyst at Carr Kitcat & Aitken, said it was in nobody's interest for *Sumitomo* to release quickly all [redacted] LME stocks as this would send the price spiralling down. It was likely that the metal would be released gradually and the price over the next few weeks would drift down to about [redacted] to £1,230 a tonne.

After the December *option* declarations passed calmly yesterday, cash copper closed at £1,306 a tonne, down £13, and three-month metal [redacted] up [redacted] The [redacted]tion, which was £50.50 on Mon[redacted] and [redacted]50 [redacted] Tuesday, [redacted] night.

Report predicts low aluminium prices for next two years

By [redacted] Gooding

LOW ALUMINIUM prices are likely to persist for the next two years, causing new smelter projects to be postponed or cancelled and leading to a *shortage of supply in 1995*, according to the Economist Intelligence Unit.

The EIU expects primary aluminium prices to average *less than $1,400 a tonne* this year and in 1992, but to recover to $1,575 in 1993, $1,675 in 1994 and $1,850 in 1995. This compares with an average realised *price over the past 20 years of* $1,782 a tonne in 1991 dollars.

In a special report*, the unit points [redacted] operating cost [redacted] primary *smelters* [redacted] *former* Communist bloc in the first quarter of 1991 is estimated at $1,384 a tonne.

When capital charges and a *15 per cent return on equity* are included, the cost is $1,708 a tonne.

"With mid-1991 metal prices around $1,300, the average *smelter is not covering operating costs*", says the report. "Although costs are expected to decline slightly in the short term, the next two years will *be difficult for primary smelters* and profitability will be low. High-cost operations will be under pressure to close."

The report suggests that new *low-cost smelter capacity* requires average prices of $1,700 to $1,850 a tonne in 1991 dollars.

"Smelter projects will there*fore be postponed or cancelled* until investors see prices moving towards these levels. This could lead to a shortage of supply after 1995," it adds.

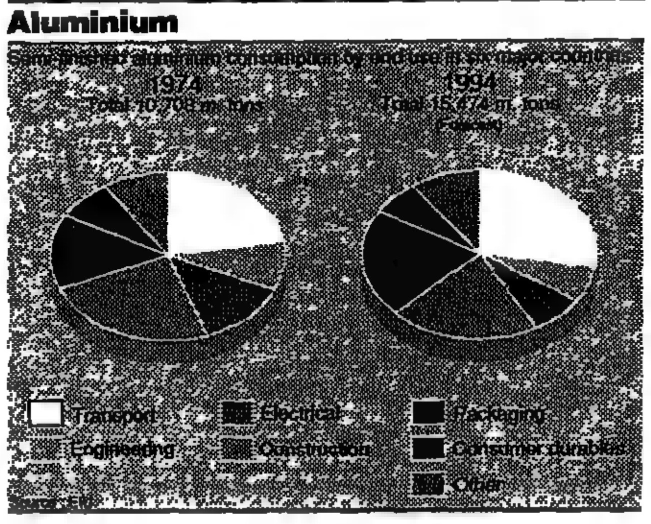
Given a forecast that growth in real gross domestic product in the OECD countries will average 2.5 per cent a year to 1995, demand for semi-finished *aluminium products* is expected to increase by an annual 2.4 per cent outside the former Communist world. In the centrally-planned economies, however, *demand will stagnate as* strong growth in China is offset by falls in the former Soviet Union and eastern Europe.

The fastest-growing end-use market for aluminium in the years to 1995 will continue to be the packaging sector, according to the EIU. This will include growth in the European aluminium can market, as well as consolidation of the can's position in the US.

Strong growth will also be seen in the transport sector. "This will mainly take the form of demand for aluminium castings. Demand for sheet products for automotive frames and bodies will grow more *slowly*," says the report.

**Aluminium to 1995: the Path to Profitability", £175 or $365 from the EIU, 40 Duke Street, London W1A 1DW*

Aluminium



NZ loses its kiwi fruit crown to Italy

By Robert Graham in Rome

ITALY HAS overtaken New Zealand to become the world's largest producer of the kiwi fruit.

Production in Italy this year *is expected to be 230,000* tonnes, against 200,000 tonnes in New Zealand, according to the Italian kiwi producers' association, CIK.

Italian growers now have some 19,000 hectares under kiwi cultivation, generating an annual turnover of L700bn (£324m).

The main production areas are in Piedmont, Emilia Romagna, Latina and Puglia.

The area under cultivation is unlikely to increase much more, to avoid saturating the international market.

However, the CIK plans to *promote* sales of the fruit in the domestic market, where the harvest is from October to February.

New Zealand, which exports 80 per cent of its production to Europe, begins selling at the start of the year.

Producers in New Zealand claim that although Italy has overtaken them in volume, they maintain the edge in quality.

US 'will keep sugar quotas after Uruguay Round deal'

By Canute James in Miami

THE US will not immediately dismantle sugar import quotas even *if* an agreement *is* reached in the current Uruguay Round negotiations.

Mr Craig Thorn, deputy director for multilateral trade policy affairs in the US Department of Agriculture, told a conference in Miami that the quotas, for 1.25m tonnes this year, were a safeguard for the US industry.

Mr Thorn said the quotas would be maintained for a five year transitional period after a Uruguay Round agreement on cutting subsidies to producers and removing barriers to imports. After this, the import quotas would be removed.

"As a [redacted] the Uruguay Round we would expect an increase in import demand and significant cuts in subsidies, especially in the European Community," Mr Thorn said. "Production and consumption will be more in line and we expect international prices to be more stable. We expect a slight decline in US production but US [redacted] should stay at the same level."

Green field site in Essex

David Blackwell on Rhône-Poulenc's organic trials

THE FIRST organic [redacted] is peeping through the soil at Boarded Barns Farm in Essex, and farm manager Lister Noble is delighted.

"I've waited three years for *this*", he says *enthusiastically*. Not that Mr Noble [redacted] staking his future on organic farming: he is employed by Rhône-Poulenc, Europe's biggest agrochemical manufacturer.

Why is such a company converting a farm to organic production, which if successful could adversely affect the market for its own products? "We were being asked questions on [redacted] farming, and we did *not know the answers*", explains Mr Bob Joice, [redacted] company's product stewardship manager.

Rhône-Poulenc decided [redacted] convert part of [redacted] Boarded Barns farm to organic production while continuing to farm the rest with conventional methods. The results will be compared over 10 years.

"Very little credible scientific research has been done into organic farming and its commercial viability", [redacted] Mr Noble. "Rhône-Poulenc [redacted] research based. [redacted] wanted to [redacted] a hands-on [redacted] for [redacted] farming."

The lack of proper research into organic farming and the confusion surrounding the subject was highlighted last week, when the Prince of Wales *distanced* himself from a Royal Agricultural Society of England report describing organic farming as [redacted] nomic, [redacted] unrealistic.

The report defended modern farming's use of [redacted] and other chemicals, saying allega[redacted] *farm pollution* were exaggerated. The Prince [redacted] that environmentalists and consumers had not been properly consulted.

[redacted] Boarded [redacted] project has excited much interest from farmers, [redacted] and even other chemical companies. This is welcomed by Rhône-Poulenc, which [redacted] anticipated a cynical reaction by getting th[redacted] project monitored by outside bodies, including [redacted] agriculture ministry and *wildlife organisations*. The farm is registered with the UK Register of Organic Food Standards, and Mr Noble is a member of Organic Farmers and Growers.

Mr Noble has managed the farm, tucked behind Rhône-Poulenc Agriculture's [redacted] quarters near Ongar, [redacted] 14 years. *The soil is similar to* that across much of [redacted] grain-growing country, and he has followed a normal rotation policy of milling wheat, beans and rape.

Herbicides, pesticides and fungicides are used on the conventional side of the farm, but the crops are walked on a regular basis and nothing is applied unless deemed necessary.

Close attention has been paid to conservation at Boarded Barns, typified by this moth trap near the farm's pond

At the same time, great attention has been paid to conservation. Trees have been planted to replace those growing old and diseased, and *hedges are carefully trimmed*, with promising self-seeded trees marked and left to grow. A one metre-wide strip of land is left untreated by any chemical *either side of the hedges to* encourage small mammals. [redacted] owls have been released on to the farm and nesting boxes have been put up.

Markers abound [redacted] insect and small mammal traps have been set up by research groups, including teams from Southampton and Reading uni[redacted] *Ponds have been* cleared and dug out; the main [redacted] by an underground spring and is stocked with trout.

Mr [redacted] about the environmental projects. "They give me great pleasure, they give pleasure to other people and they are very *beneficial to wildlife*", *he says*. He jumped at the chance of trying organic farming.

The costs are considerable. *The land is put to* grass for two years to clear all traces of chemicals. In the first year, including the cost of fencing (to be written down over 10 years), costs are more than £280 a hectare, while income from grazing cattle is roughly £100.

When the first organic wheat crop is harvested next year, Mr Lister expects a yield of around [redacted] tonnes [redacted] hectare. Organic wheat is expected to fetch a premium, but he points out there is no guarantee. Last year, organic milling wheat was around £260 a tonne, but the price has fallen this year to £205 a tonne.

While this is still well above the £130 a tonne for conventionally grown milling wheat which yields 8 to 9 tonnes a hectare, Mr Noble is not convinced that the price will not fall further next year.

On a *conventional rotation* the farm would aim to produce a crop of milling wheat every three years, with break crops of rape or beans for cattle feed. *On the organic rotation, a harvest* of milling quality wheat would come round only once every five or six years.

The change in technique *required in switching to* organic is considerable. On the conventional side of the farm, rogue bean plants coming up with the winter wheat are easily *got rid of with a spray that* kills off broad leaved plants. On the organic farm, the beans have to be raked out with a new machine similar to a giant *electric lawn rake. This is* expected to damage the young wheat, so the organic field is seeded at 250kg a hectare, compared with 190kg a hectare on *the conventional fields*.

The farm will also be investing in a sprayer for seaweed extract, which will be applied later this month to strengthen *the crop*. "I'll believe the results when I see it", says Mr Noble. "But other organic growers have said it can be beneficial."

He is taking advice all the time, because he is starting from scratch. He is committed to running the organic side of the farm as well as the other half – otherwise he believes the whole experiment would be invalid.

"Agriculture has never stood still. This could alter the direction of our research – for example, with moves into integrated pest management. We will also have all this information which no-one else will have, and that has to be to our advantage."

WORLD COMMODITIES PRICES

MARKET REPORT

[redacted] edged ahead [redacted] London bullion market, mainly [redacted] option-related and [redacted] Eastern buying. [redacted] that Vneshekonombank, the [redacted] foreign [redacted] bank, [redacted] suspend [redacted] principal payments today [redacted] market initially [redacted] largely [redacted] the news [redacted] on [redacted] probably [redacted] bullish, with [redacted] likely [redacted] through swaps [redacted] than outright gold [redacted] cocoa [redacted] sharply [redacted] there appeared [redacted] buying although [redacted] *little* [redacted] in London [redacted] kept a [redacted] for [redacted] from [redacted] By midday [redacted] were down on [redacted] plans by Brazil would [redacted] to be approved by Brazil's exporters, [redacted] LME zinc prices were easier, [redacted] the [redacted] under [redacted] from liquidation [redacted] the Overpelt [redacted] closure, rumoured [redacted] Although likely [redacted] reduce any surplus, [redacted] closure will [redacted] bring [redacted] market into [redacted] unless there is [redacted] pick up in demand, [redacted] 22-month lows, but [redacted] fundamentals remaining bearish, prices [redacted] $7,000 level.

Compiled from [redacted]

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.30-6.35	-.025
Brent Blend (dated)	$19.10-9.25	-.075
Brent Blend (Jan)	$19.35-19.40	-0.05
W.T.I. (1 pm est)	[redacted]	[redacted]
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$216-218	-6
Gas Oil	$183-184	-½
Heavy Fuel Oil	$74-76	-1½
Naphtha	$189-190	-1½
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$364.90	+1.15
Silver (per troy oz)♣	403.00	-1.00
Platinum (per troy oz)	$367.00	+3.50
Palladium (per troy oz)	$83.75	+0.60
Copper (US Producer)	109.0c	
Lead (US Producer)	37.0c	
Tin (Kuala Lumpur market)	14.65r	[redacted]
Tin (New York)	$254.0	+1.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	105.56p	+1.35*
Sheep (dead weight)†	157.22p	+18.5*
Pigs (live weight)†	84.76p	-4.18*
London daily sugar (raw)	$234.0x	+4.5
London daily sugar (white)	$280.0x	+0.80
Tate and Lyle export price	£240.0	+2.5
Barley (English feed)	£121.5	
Maize (US No. 3 yellow)	£146.0	
Wheat (US Dark Northern)	£101	
Rubber (Jan)♥	51.00p	
Rubber (Feb)♥	51.25p	
Rubber (KL RSS No 1 Jan)	220m	
Coconut oil (Philippines)§	$595z	
Palm Oil (Malaysian)§	$357.5	+5.0
Copra (Philippines)§	$385	+5
Soyabeans (US)	£147.0	-3.5
Cotton "A" Index	62.00c	+0.30
Wooltops (64s Super)	415p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jan t-Sep/Dec u-Jan/Mar x-Nov/Dec y-Jan/Feb z-Dec/Jan. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	[redacted]	Previous	High/Low	
Mar	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	198.20	[redacted]
Aug	199.40	200.00	[redacted]	[redacted]
Oct	[redacted]	199.60	[redacted]	

[redacted]	[redacted]	Previous	High/Low	
Mar	280.2	279.7	280.5	[redacted]
[redacted]	[redacted]	280.7	[redacted]	[redacted]
Aug	284.9	[redacted]	284.9	283.3
[redacted]	[redacted]	265.0	265.0	[redacted]

Turnover: Raw 627 (716) lots of 50 tonnes. White 2896 (1915)
Paris- White (FFr per tonne): Mar 1570.79, May 1587.51

CRUDE OIL – IPE $/barrel

	[redacted]	[redacted]	High/Low	
Jan	19.43	19.22	[redacted]	19.12
Feb	19.36	19.22	[redacted]	[redacted]
Mar	19.24	19.13	[redacted]	[redacted]
Apr	[redacted]	[redacted]	[redacted]	18.94
May	[redacted]	[redacted]	[redacted]	18.93
Jun	18.96	18.83	[redacted]	18.85
Jul	18.80		18.80	
IPE [redacted]	[redacted]	[redacted]		

Turnover 25861 (33940)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low	
Dec	[redacted]	185.25	[redacted]	182.50
Jan	[redacted]	[redacted]	[redacted]	[redacted]
Feb	[redacted]	186.25	[redacted]	183.50
Mar	[redacted]	[redacted]	182.00	179.25
Apr	175.25	176.50	176.75	174.25
May	173.50	174.25	174.00	172.75
Jun	173.75	174.00	174.75	173.00
Jul	174.75	175.75	174.75	174.00
Aug	177.25	177.00	176.50	175.50

Turnover 18876 (22048) lots of 100 tonnes

WOOL
Prices are holding very firm at wool auctions in the closing weeks of a dramatic year in the long history of marketing wool. The recovery from low points reached in October for most Australian wools has been *fully maintained, with the Wool* Corporation's market indicator still edging gradually upwards and, at 579 cents, at the highest point of this selling season. Forecasts of wool production meanwhile are all indicating declines. Australia is the major world source and offerings in the next *six months will be down by as much as* 30pc.

[redacted] – London FOX £/tonne

	[redacted]	Previous	High/Low	
Dec	[redacted]	720	731	723
Mar	[redacted]	762	781	765
May	[redacted]	786	803	790
Jul	[redacted]	809	827	814
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]

Turnover: [illegible]

COFFEE – London FOX $/tonne

[illegible]

[illegible] – London FOX

[illegible]

FREIGHT $10/index point

[illegible]

[illegible] – London FOX

[illegible]

PIGS – London FOX (Cash Settlement) p/kg

[illegible]

MOSB – London FOX

[illegible]

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 18,046 lots	
Cash	1074-5	1085.5-6.5	1073/1073	1073-3.5		
3 months	1100-1	1112-3	1110/1098	1099.5-100	1099.5-99	134,099 lots
Copper, Grade A (£ per tonne)	[illegible]					
Lead (£ per tonne)	[illegible]					
Nickel ($ per tonne)	[illegible]					
Tin ($ per tonne)	[illegible]					
Zinc, Special High Grade ($ per tonne)	[illegible]					

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

[illegible]

GOLD COINS (Prices supplied by Engelhard Metals)

[illegible]

TRADED OPTIONS

[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jan	[redacted]	20.51	20.75	[redacted]
Feb	20.58	20.44	[redacted]	20.29
Mar	20.42	20.30	20.48	20.16
Apr	20.32	20.21	20.40	20.00
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HEATING OIL 42,000 US galls, cents/US galls

[illegible]

COCOA 10 tonnes;$/tonnes

[illegible]

COFFEE "C" 37,500lbs; cents/lbs

[illegible]

COTTON 50,000; cents/lbs

[illegible]

ORANGE JUICE 15,000 lbs; cents/lbs

[illegible]

INDICES

[illegible]

New York

GOLD 100 troy oz.; $/troy oz.

[illegible]

PLATINUM 50 troy oz; $/troy oz.

[illegible]

SILVER 5,000 troy oz; cents/troy oz.

[illegible]

HIGH GRADE COPPER 25,000 lbs; cents/lbs

[illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs

[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb

[illegible]

SOYABEAN MEAL 100 tons; $/ton

[illegible]

MAIZE 5,000 bu min; cents/56lb bushel

[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs

[illegible]

LIVE HOGS 40,000 lb; cents/lbs

[illegible]

PORK BELLIES 40,000 lbs; cents/lb

[illegible]

LONDON STOCK EXCHANGE

Equities steady but remain nervous

By Terry Byland, UK Stock Market Editor

MISFORTUNE bore down on the UK stock market from all sides yesterday but share prices managed to close firmly at the end of another erratic trading session. Traders, hard put to choose the most depressing of the latest round of negative factors, pointed to the disturbing developments in the Maxwell situation and, on the international scale, the financial grounding [illegible] Pan Am, the US airline. Attention also focused [illegible] this morning's meeting of the Bundesbank council.

Disclosure of further debts, including pension fund assets, at the Maxwell private companies hit the banking sector, which was also unsettled by the Soviet Union's foreign *trade bank's suspension of debt* principal payments.

Account Dealing Dates		
*First Dealings:		
Nov 25	Dec 9	Dec 30
Option Declarations:		
Dec 5	Dec 23	Jan 9
Last Dealings:		
Dec 6	Dec 27	Jan 10
Account Day:		
Dec 16	Jan 6	Jan 20

*New-time dealings may take place from 8.30 am two business days earlier.

The FT-SE Index opened easier but quickly advanced by a net 21.4 points as bear closing continued ahead of the close of the equity trading account on Friday. As soon as buying died away, the Index gave back its early gain and by the London close, when Wall Street showed a fall of 12 Dow points, the UK market was struggling to remain firm.

The final reading put the FT-SE Index at 2,423.8 for a net gain of 3.6. Traders applauded the success of the Footsie in holding on – so far – to the 2,400 level but also noted that the equity chart analysts continue to warn of further substantial falls if this level is lost.

On the corporate side, Hanson and GEC benefited from satisfactory news on dividend payments, which is one of the most tender areas of market sentiment at present, while profit figures from Bass, the brewer, were well received. But the background remained very nervous, with some retail stocks again unsettled as analysts assessed the outlook for the all-important Christmas selling season. There were further downgradings [illegible] profit forecasts for well-known [illegible]

[illegible] still monitoring [illegible] brought some modest support for shares in [illegible] chip chemical company.

Across the range of the market, Seaq volume increased to 479m shares from the 464.7m of [illegible] previous [illegible]. Traders said that intra-market business continued to provide a high proportion of the day's activity. The institutions are holding [illegible] of the [illegible] trading in the new BT stock [illegible] Monday morning – [illegible] surge of applications for the stock was reported before yesterday's 10.00am deadline.

Dealers said that the London market remains divided between those recommending the stock market on a valuation basis *and those fearing a* further setback. Dividend worries, soothed to some extent by both Hanson and GEC, plagued some areas of the market.

[illegible] team [illegible] Turnbull predicted that any [illegible] be weak, [illegible] UK current account [illegible] and ERM requirements imposing [illegible] on [illegible] policy. Commenting [illegible] London outperformed [illegible] markets [illegible] currency [illegible] over [illegible] quarter [illegible] Strauss warned [illegible] trend [illegible] be [illegible].

This [illegible] at UBS [illegible] anaemic recovery", [illegible] coupled [illegible] fall [illegible] inflation. [illegible] companies' [illegible] to expand profit margins [illegible] fall in inflation.

Bass statement pleases

A STRONG lead for the brewery issues came as Bass jumped 36 to 959p. The company disclosed plans to split its stock after turning in results slightly above expectations and making an upbeat trading statement.

Bass said profits in the year to September 30 fell 5 per cent to £508m, but they were at the top of the analysts' range and once an exceptional charge and credit was stripped [illegible] they were closer to £537m.

Digestion of the figures led to a broad spread of views and forecasts. Among the bulls are County NatWest, which now *predicts £609m for the forth*coming year against its previous estimate of £545m, and has moved its stance from a sell to a hold. [illegible] slightly lower at £580m but remains a [illegible] buyer of the shares.

Way down at the other end of the spectrum is Mr John Wakely of Lehman Brothers, the US investment bank. He predicts that the company will make only £480m, which is £9m up from his previous view.

Mr Wakeley was also advising clients to switch out of Bass and into Grand Metropolitan ahead of the group's full-year figures today. He believes tighter beer prices will lead to a "severe erosion" of Bass's profitability, and argues that GrandMet is beginning to look good value in the US, where about 10 per cent of the shares are held, as well as in the UK. Bass ended only 3 off its high of the day, while GrandMet rose 21 to 846p, partly helped by US buying.

Other brewers benefited from the general sentiment. *Whitbread "A" gained 16 to* 439p and Allied-Lyons advanced 9 to 589p.

Banks fall again

National Westminster led the banks lower, suffering particularly as the sector faced a comprehensive downgrade by UBS Phillips & Drew. The UBS team pencilled in a forecast loss for the year of £50m for NatWest, on the assumption that the bank's total exposure to the Maxwell empire has been provided for. UBS said it expects the dividend to be maintained. NatWest shares *dipped 10 to 285p on turnover* of 5.1m.

Midland slipped [illegible] the 200p level, closing [illegible] off [illegible] 196p on 2.6m, with securities house Smith New Court adjusting its numbers on profits and dividends. Mr Michael Lever, banks analyst at Smith expects Midland to report a £43m loss for 1991 and to cut the dividend from 9p to 3.4p. For 1992 he is looking for profits of £223m and a dividend of 6.8p.

The Smith analyst said the loss would be struck after allowing for bad debts, which would wipe out what are expected to be record operating profits at the bank. Mr Lever rated Midland shares "one of the market's outstanding recovery plays".

Lloyds, which has leapfrogged NatWest as the UK's second biggest bank in market capitalisation terms, eased 7 to 357p, and Barclays fell 9 to 347p. TSB, still labouring under the dismal profits outlook and the absence of any takeover interest since the shareholding restrictions were lifted last *September, eased 2½ to 115p,* the lowest level since November 1989.

Lonrho hard hit

The market demonstrated its unease over the recent poor performance of Lonrho shares by marking them progressively lower over [illegible] difficult trading session. By the close they [illegible] 177p, [illegible] lowest [illegible] since August 1988 and making a two-day drop of 43.

Dealers said they had become increasingly concerned by Lonrho's failure to issue a formal statement regarding the sharp setback in the share price this week. "One would expect a company of this size and importance to have reassured the market after such a steep decline," said one trader.

Lonrho has attracted substantial selling pressure over recent sessions, reflecting, according [illegible] marketmakers, worries over the so-called "tycoon factor" – the dominance of a single, strong individual in the boardroom. Other concerns included fears about the dividend and the balance sheet. In the background some metal prices have been losing ground, they said.

Turnover in Lonrho grew substantially, [illegible] 8.1m shares yesterday, [illegible] highest one-day volume [illegible] September last year. *RTZ fell* [illegible] further [illegible] the lowest since February 1991. There [illegible] 6.9m shares traded in [illegible].

GEC made good late progress to close 4 ahead at 181p, with turnover expanding rapidly to 9.8m after interim figures in line with expectations. Electronics analysts adopted a bullish tone on the shares.

Ratners, bruised by yet another profits downgrading, weakened 8 to 39p on 1.9m.

Hanson held firm on full-year profits in line with market forecasts and an acceptable statement. One observer said the presentation was "terribly bland" but there was enough enthusiasm to push the stock up 2¼ to 199½p on respectable turnover of 11m shares. Mr Jack Jones of [illegible] repeated his [illegible] were worth buying at 200p.

In the statement Lord Hanson said the management of ICI was starting to improve its shareholder value. ICI closed 4 firmer at 1190p.

Mansfield Brewery moved ahead 23 to 514p [illegible] sharply improved interim [illegible].

[illegible] oil exploration and production sub-sector endured further sustained selling pressure but was showing signs of stabilising towards the close. Lasmo, battered after the increased bid terms for Ultramar, slid to 254p before closing a net 4 off at 258p, while the latter suffered even more, dropping 17 to 273p, around 9 per cent below the level of the bid, as one specialist pointed out. Enterprise Oil fell 15 to 473p on heavy turnover of 3.2m, weakened by perceptions that asset valuations may be too high.

Monument Oil & Gas lost 1¼ to 37½p, with large lines of stock swilling around the market after an [illegible] attempt some days ago to place around 12m shares. A stock shortage boosted Calor Group *9 to 244p. News from the Hali*fax Building Society, one of Britain's largest home lenders, that UK property prices continue to fall added to the gloom in the sector.

Stakebuilding in Hammerson Property by French group L.D. Estates left the ordinary shares down 15 at 618p and the "A" 15 cheaper at 548p.

Rosehaugh rose 2½ to 13p ahead of its results, due tomorrow, and on hopes that its long-winded merger talks with Stanhope Properties would bear fruit. The latter was up 2 at 43p.

Pharmaceuticals giant Glaxo advanced 9 to 818p after announcing that its US share base had risen by 33m shares.

Many stocks traded in the ADR form were firm. Reuters improved 11 to 913p and Wellcome was up 19 to 861p.

Rank Organisation dropped 19 to 582p as marketmakers looked for a floor to the stock, which has fallen consistently over the past week following analysts' downgrades. Earlier *in the day, suggestions that* Rank was finding it difficult to extract a good selling price for one of its London hotels and talk by one securities house of a likely dividend cut added to the negative sentiment.

Hotel group Stakis declined 5 to 29p as a stock overhang dragged it down.

A 10 [illegible] dividend increase by Siebe, together with an upbeat [illegible]ment, propelled the shares forward 30 to 493p. A 12 per cent fall in profits to £75.2m was in line with market expectations. The dividend was lifted from 5.5p to 6.05p.

Pilkington, one of the leading yield stocks, came under pressure on worries that an announcement of a cut in the year-end dividend may be signalled with today's interim figures. The shares lost 10 to 112p as turnover rose to 6m. The range of analysts' forecasts is between £35m and £50m.

B. Elliott plunged 19 to 24p as nerves set in about the group's delayed half-time [illegible].

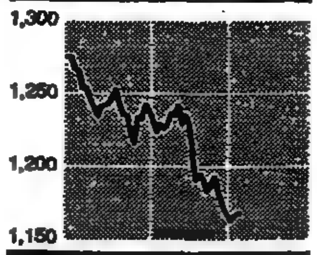
Mini-conglomerate [illegible] Street Investments [illegible] 58 to 20p [illegible] the [illegible] warned [illegible] trading conditions [illegible] passing [illegible] boardroom changes. [illegible] 74.4 [illegible] was the biggest on the day.

Carlton Communications slid [illegible] to [illegible] year results expected [illegible] Tuesday. [illegible] some concern [illegible] hopes for a [illegible] per cent profits bounce [illegible] forthcoming year [illegible] by [illegible] dull economic environment.

MARKET REPORTERS:
Peter John, Joel Kibazo,
[illegible]
Steve Thompson.

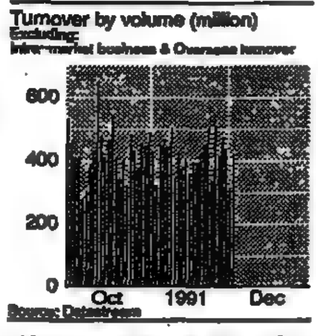
■ Other market [illegible] ing the [illegible] Share [illegible] ces and London Traded Options, Page 20.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (19).
BRITISH FUNDS (2) Conv. 9pc Ln. 2011 B, Treas. 2pc IL '92, CANADIANS (1) Bank of Montreal, BREWERS & DISTILLERS (2) Mansfield, Young N/V, BUSINESS SERVICES (1) RCO, CHEMICALS (1) Allied Colloids, ELECTRONICS (2) Borland, Kewill Syst., ENGINEERING GENERAL (1) Victaulic, INVESTMENT TRUSTS (1) Murray Ent. Zero Ln. 1994, MEDIA (1) Daily Mail A, OIL & GAS (1) Tullow, OTHER INDUSTRIAL MATERIALS (1) Marling, PACKAGING, PAPER & PRINTING (2) Bowmore, CMB Pckg., TEXTILES (1) Leeds, TRANSPORT (2) BAA, P & O 5½pc Pfd.
NEW LOWS (96).
BRITISH FUNDS (1) Exch. 13½pc 1992, AMERICANS (1) IBM, CANADIANS (2) Gulf Canada, Imperial Oil, BANKS (1) TSB, BUILDING MATERIALS (5) Ibstock Johnsen, Pilkington, Quiligotti, Sharpe & Fisher, Ward Group, CHEMICALS (1) Leigh Interests, CONGLOMERATES (5) Cannon St. Invs., Harrisons & Cros., Lonrho, Trafalgar Hse., Do. A, CONTRACTING & CONSTRUCTION (12) AMEC, Do. 6.5p Prf., Beris, Bryant, Countryside Props., Higgs & Hill, Laing (J), Do. A N/V, Lilley, Lovell (YJ), NSM, Ward Hldgs., [illegible] (2) AB Elect., Amstrad, Pressac, ENGINEERING GENERAL (4) Brooke Tool, [illegible] Simon Eng., Utd. Scientific, [illegible] (2) Hunter Saphir, Low (Wm), HOTELS & LEISURE (2) Marina Devs., Stakis, Wembley, INSURANCE COMPOSITE (2) Royal Insce., USF & G, INSURANCE LIFE (1) Lon. & Manchester, INVESTMENT TRUSTS (2) EFM Inc., Korea Liberal Wrrnts., MEDIA (1) TV-am, METAL & METAL FORMING (1) Glynwed, MISCELLANEOUS (4) Beckenham, Bilston & Battersea, Christies Intl., PFG Hodgson Kenyon, MOTORS (2) Euro. Motor, Lucas Wrrnts., OIL & GAS (7) Aran Energy, Clyde Pet., Enterprise Oil, Globe Pet., LASMO, Premier Cons., Sceptre Res., OTHER FINANCIAL (2) Gerrard & Nat., Japan OTC Pd., OTHER INDUSTRIAL MATERIALS (1) Noida, PROPERTY (14) BHH, City Site Ests., Derwent Valley, Gt. Portland, Hambro Countryside, Hammerson A, Land Sec., MEPC, Ossory Ests., Savills, Scot. Metrop., Speyhawk, Trencherwood, Wood (JD), STORES (3) Clinton Cards, Ratners, Do. 6⅞p Prf., TRANSPORT (1) P & O Wrrnts. '88-92, PLANTATIONS (1) Rowe Evans, MINES (2) Cluff Res., Young Grp.

FINANCIAL TIMES STOCK INDICES

	Dec 4	Dec 3	Dec 2	Nov 29	Nov 28	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	86.22	85.98	85.90	86.04	85.70	82.08	87.94 (18/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
[illegible]	96.03	95.64	95.76	95.68	[illegible]	90.37	97.17 (2/10)	90.59 (2/1)	105.4 (28/11/47)	[illegible] (3/1/75)
Ordinary [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] (16/1)	[illegible] (2/9/91)	[illegible] (26/6/40)
[illegible]	168.1	168.9	170.9	171.4	171.2	154.3	222.8 (11/7)	[illegible]	734.7	[illegible] (26/10/71)
FT-SE [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2426.6	[illegible]	2679.6 (3/9)	[illegible] (16/1)	[illegible] (3/9/91)	986.9 [illegible]
FT-SE Eurotrack 200	[illegible]	1101.60	1083.16	1107.23	1111.78	-	[illegible]	[illegible] (16/1)	[illegible]	[illegible] (16/1/91)
[illegible] Div. Yield	5.01	5.03	5.05	5.04	5.01	5.89				
●Earning Yld %(full)	[illegible]	[illegible]	7.52	7.49	7.45	11.89				
[illegible]	[illegible]	[illegible]	16.72	16.77	16.86	[illegible]				
SEAQ Bargains 4.45pm	[illegible]	23,570	[illegible]	[illegible]	26,604	19,726				
Equity Turnover(£m)†	[illegible]	500.63	[illegible]	970.56	965.53	[illegible]				
Equity Bargains†	[illegible]	[illegible]	[illegible]	22,185	[illegible]	[illegible]				
[illegible] (mil)†	[illegible]	[illegible]	[illegible]	[illegible]	477.8	[illegible]				

Ordinary [illegible] Hourly [illegible] Day's High [illegible] Day's Low [illegible]

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1836.8	1850.2	1850.9	1847.0	1841.1	1842.8	1844.5	1844.4	1838.7

FT-SE [illegible] Hourly changes Day's High 2441.8 Day's Low 2418.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2419.7	2433.4	[illegible]	2431.1	2423.1	2424.4	2427.1	[illegible]	[illegible]

FT-SE Eurotrack 200, Hourly changes Day's High 1108.37 Day's Low [illegible]

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1108.37	1108.29	1108.54	1105.86	1105.19	1105.75	1104.33

Basis 100 Govt Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines [illegible] Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ● Nil = 15.91.

GILT EDGED ACTIVITY

Indices*	Dec 3	Dec 2
Gilt Edged Bargains	75.7	[illegible]
5-Day average	[illegible]	[illegible]

*SE Activity 1974.
†Excluding intra-market business & [illegible]

London report and latest Share index:
Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

Volume '000s	Closing Price	Day's change
[illegible]	[illegible]	[illegible]

[illegible] on [illegible] volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are [illegible] down.

EQUITY FUTURES AND OPTIONS TRADING

PESSIMISM following poor GNP figures from the US [illegible] early [illegible] in Footsie [illegible] yesterday, writes Joel [illegible].

The December contract [illegible] tentatively [illegible] squeezed higher by independent traders and rose to a healthy premium to cash.

It led [illegible] cash market higher [illegible] profit-takers [illegible] in once [illegible] reached 2,465. Then, [illegible] turned their attention to the opening of Wall Street. The poor GNP figures put paid to hopes of [illegible] firm start to [illegible] trading and sellers [illegible] December back again.

By the close, December [illegible] 2,440, [illegible] 6 points ahead of its [illegible] fair value, the premium [illegible] allows for dividend flow [illegible] the underlying Footsie [illegible].

Trading in the LTOM [illegible] reported [illegible] quiet. Volume reached [illegible] lots. Hillsdown [illegible] the busiest stock option. It [illegible] 1,265 contracts [illegible] 1992 [illegible] the busiest [illegible]. This [illegible] followed by [illegible] with a day's total [illegible] 1,015 [illegible].

Ultramar traded 951 contracts, while Hanson, which [illegible] traded 923 [illegible]. Pilkington [illegible] active [illegible] of today's interim figures.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1991 high	1991 low	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1991 high	1991 low	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS - Cont.

Index – Linked	Notes	Price £	+ or -	1991 high	1991 low	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1991 high	1991 low	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

APPOINTMENTS

Hand-overs at Guinness

Tony Greener, who joined the board of Guinness as a non-executive director after the Distillers takeover in 1986 and a year later was given the task of reorganising the sprawling spirits empire, is to succeed Anthony Tennant as chairman and chief executive.

Tennant, brought in from Grand Metropolitan in [illegible] the group's fortunes and reputation [illegible] the [illegible] *support scandal and the* demise of former chairman, Ernest Saunders, is to retire at the end of next year.

Greener, present joint group managing director and head of the United Distillers operation, will become chief executive of Guinness in January and succeed Tennant as executive chairman a year later.

The move marks a smooth continuation of the management strategy which has seen Guinness in the past four years raise pre-tax profits from £408m a year to £837m.

Greener, aged 51, a tough ocean-racing sailor, has been at Tennant's right hand during the years which have turned the group into one [illegible] the UK's [illegible] profitable exporters.

He came to Guinness from Dunhill, which he transformed over 12 years from a primarily tobacco-based group with a market capitalisation of £15m [illegible] Britain's premier luxury goods group, worth some £350m.

Since 1987, [illegible] has helped *Tennant plan and* [illegible] the marketing-driven strategy that turned the old Distillers' company of autonomous and [illegible] warring [illegible] into a cohesive, regionally-based organisation, [illegible] on international brand development.

Greener is also a director of LVMH, the French drinks and luxury goods group in which Guinness has a 24 per [illegible] cross-shareholding.

Other management changes were also announced yesterday. Brian Baldock, 57, currently joint group managing director and head of the Guinness worldwide brewing operations, will become a deputy chairman of the group in May next year. His career has included marketing positions with Courage and Procter & Gamble.

Greener will be [illegible] at United Distillers [illegible] Crispin Davis, 42, managing director of UD's European operations. A former UK marketing director of Procter & Gamble and later managing director of its German business, he [illegible] reorganised and strengthened UD's brand marketing in Europe. He was responsible [illegible] the acquisition of Asbach, the German spirits company.

Davis will become deputy managing director [illegible] UD in January and take over as managing director in July next year. Lord Iveagh, president, and Lord Macfarlane, deputy chairman, will retire in May next year.

■ Nigel Symington, formerly marketing director of Britvic, has been appointed European marketing director of TROPICANA EUROPE.

■ Roger Sellew has been appointed president of ADVANCED ELASTOMER SYSTEMS, a joint venture between Monsanto and Exxon Chemical. He replaces Gary O'Connor, who has resigned.

■ SCOTTISH & NEWCASTLE announces that Clive Turner has been appointed commercial director of Matthew Brown. He moves from Metro Radio.

■ Peter Huntley has been promoted to strategic planning director of MATTHEW CLARK.

■ Jonathan Platts-Mills becomes a director of LONRHO.

■ *Nicholas Gay has been appointed finance director of* BRABANT RESOURCES.

Ryder returns to AB Electronic

For Paul Ryder his appointment as [illegible] director [illegible] AB [illegible]TRONIC Products is a [illegible] to former pastures. The 45-year-old Ryder [illegible] AB's automotive [illegible] until [illegible] ago when [illegible] as director of its chassis systems division.

AB, which [illegible] cynon [illegible] Cardiff [illegible] south Wales, has [illegible] caught by the downturn in [illegible] and [illegible] products [illegible] – [illegible] Jaguar, [illegible], BT, and Boeing. Following [illegible] drop [illegible] red in [illegible] its then managing director, [illegible] *Merrette,* [illegible] "early retirement for health reasons" in October. The company has [illegible] conducting [illegible] big rethink [illegible] its [illegible] as [illegible] increasingly into [illegible] its [illegible] been cut back sharply to around 4,000 worldwide.

Yesterday the chairman, Sir Peter Phillips said, Ryder's appointment would [illegible] full advantage of [illegible] restructuring".

Death at ADT

[illegible] Bates, chief operating officer of security and car auction company ADT, died suddenly on *Tuesday* at the age of 52.

While ADT itself is a secretive organisation, sustaining a running controversy among other things about its accoun*tancy practices,* Bates' friends and colleagues in the UK remember him as a straightforward man of integrity, who was also a good motivator of his staff.

*Based at the corporate head*quarters in Boca Raton, Florida, he had been chief operating officer for the last year. He joined the company in 1981, and oversaw the cleaning and *maintenance businesses before* ADT pulled out of those areas.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1991 high	low	Mkt Cap £m	Yld Gr's
Abbott Labs		33⅝xd	-1/16	[illegible]	20⅞	14,342	1.7
Allegheny & W		268p	—	[illegible]	218p	189.3	6.3
Amdahl		719pxd	+5	[illegible]	667p	785.5	0.8
Amer Cyanamid		31	-½	[illegible]	25⅜	2,900	2.7
Amer Express		10⅝xd	-⅛	[illegible]	9⅛	4,989	5.3
Amer T & T		20½xd	+1/16	[illegible]	15¼	28,776	3.6
Ameritech		34¾	[illegible]	[illegible]	[illegible]	15,214	5.5
BankAmerica		18⅛xd	[illegible]	[illegible]	[illegible]	4,075	3.6
Bankers NY		[illegible]xd	+⅛	[illegible]	[illegible]	2,884	7.7
Bell Atlantic		25⅜xd	-⅛	[illegible]	[illegible]	9,979	5.6
BellSouth		28½	-¼	[illegible]	[illegible]	12,853	5.8
Bethlehem Steel		6¾xd	+⅝	[illegible]	[illegible]	514.1	3.3
Bowater		1153p	+3	1839p	1046p	414.2	5.8
CPC		47⅛xd	+⅛	[illegible]	[illegible]	3,381	2.4
[illegible] Engy		825p	-8	936p	420p	150.2	—
[illegible] Soup		43⅝xd	[illegible]	[illegible]	28¼	5,474	1.9
[illegible]nhattan		8¾	-1/16	12¾	[illegible]	1,176	7.9
Chrysler		6¾xd	+⅛	[illegible]	5½	1,835	6.0
Citicorp		[illegible]xd	[illegible]	10⅜	[illegible]	2,039	—
Colgate-Palm		24⅛xd	[illegible]	25⅝	21	3,484	2.5
Cont'l Bank		471p	-9	929p	438p	476.0	7.2
Dana		14 xd	-⅛	21⅝	13	598.4	6.2
Data General		844p	+53	1262p	203p	232.9	—
Dial		24⅜xd	—	25⅝	12⅞	962.9	3.2
Dun & Brad		27¾	+¼	29⅝	20	4,854	4.4
Eaton		33	—	40	24¼	1,121	3.7
Echlin		6⅛xd	+1/16	8½	5½	343.7	6.4
FPL		19½xd	-⅛	20⅛	14	3,365	6.9
Fluor		21 xd	+1/16	30	17	1,725	0.8
Ford Motor		13¾xd	—	[illegible]	13⅛	6,589	4.1
Gen Elect		36⅝xd	-⅝	[illegible]	28	31,522	3.1
General Host		416p	+14	[illegible]	270p	—	4.8
Gillette		24⅛xd	-⅛	[illegible]	20⅞	6,275	1.4
Hasbro		19¾	-⅛	[illegible]	794p	1,128	0.7
Honeywell		33 xd	[illegible]	38½	21¾	2,327	2.6
Houston Inds		23⅞	[illegible]	23½	17⅞	8,013	7.1
IBM		51⅜xd	[illegible]	72	51⅜	29,388	5.3
Ingersoll-Rand		24⅞xd	[illegible]	22½	18	1,289	3.0
Lockheed		25⅛xd	[illegible]	28	16	1,590	4.5

BUILDING MATERIALS - Cont.

CONTRACTING & CONSTRUCTION - Cont.

ENGINEERING-GENERAL - Cont.

HEALTH & HOUSEHOLD - Cont.

INVESTMENT TRUSTS - Cont.

BUSINESS SERVICES

ELECTRICALS

HOTELS & LEISURE

CANADIANS

INSURANCE BROKERS

CHEMICALS

ELECTRICITY

FOOD MANUFACTURING

BANKS

INSURANCE COMPOSITE

ELECTRONICS

INSURANCE LIFE

CONGLOMERATES

BREWERS & DISTILLERS

INVESTMENT TRUSTS

FOOD RETAILING

CONTRACTING & CONSTRUCTION

BUILDING MATERIALS

HEALTH & HOUSEHOLD

ENGINEERING AEROSPACE

ENGINEERING GENERAL

هكذا من الأصل

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Notes	Price	+ or -	1991 high	low	Yld Gr's	NAV	Dis or Pm(-)
Sphere Inc	28	—	33	19½	25.8	23.0	15.1
Zero Div Pf	66½	—	66½	50¾	—	—	—
Warrants	3	—	9½	3	—	—	—
Strata	146	—	184	104	1.2	177.1	17.6
Stratton	146	—	168	120	1.7	177.6	17.8
TR City of Lon	111¾	+1	121¼	90	6.4	109.4	-2.2
TR Euro Growth	84	—	104	78	1.4	85.0	1.0
Ptg Sub	86	—	90	40	2.4	—	—
TR Far East Inc	78xd	—	94	56	7.2	91.5	14.8
Warrants	16	—	23	12	—	—	—
TR High Inc	104	—	115	85	7.7	95.8	-8.6
Sub	34	—	35	24	6.8	—	—
TR Pacific	68	+2	92	48	0.5	79.9	14.9
TR Prop	27½	—	37	27	7.2	35.2	21.8
TR Smaller	138	+½	155	88	3.6	148.3	6.9
TR Technology	36	—	62	20	0.5	94.5	61.9
Stepped Pf	89½	-½	94½	70½	8.2	—	—
Zero Pf	154	-½	155½	117½	—	—	—
Temple Bar	255	+3	278	210	8.2	274.1	7.0
8pc 2002	£111½	—	£111½	£102½	5.4	—	—
Temple Em Mkts	165	+1	173	92	0.8	164.4	0.2
Warrants	68	—	83	27	—	—	—
1pc Cv 2001	£192½	—	£197½	290½	0.6	—	—
Thornton Asian	58	—	72	55	1.1	69.2	16.1
Warrants	11	—	18	9	—	—	—
Thornton Pan Euro	27	—	31	25	4.3	30.3	11.0
Warrants	5	—	10	5	—	—	—
Throg Dual Inc	101	—	109	93	11.8	—	—
Cap	343	+5	388	260	—	646.6	47.7
Throgmorton	61	+2	84	45½	5.6	67.8	27.7
Warrants	15	—	26	15	—	—	—
Throg USM	104	—	110	81	4.7	126.0	17.3
Warrants	18	—	27	14	—	—	—
Tor Inc	495	-10	593	400	16.7	—	—
Cap	645	—	795	505	0.8	1080.7	40.3
Tribune	228	-1	256	189	3.5	273.8	16.8
Trust of Prop	54	—	77	40	3.4	78.4	31.1
USDC	151	—	165	133	2.8	194.1	22.1
US Smaller Cos	94	—	108	94	—	92.6	-1.5
Warrants	35	—	41	23	—	—	—

MISCELLANEOUS - Cont.

OIL & GAS - Cont.

PACKAGING, PAPER & PRINTING - Cont.

STORES - Cont.

MINES - Cont.

MEDIA

OTHER FINANCIAL

PROPERTY

TELEPHONE NETWORKS

TEXTILES

MOTORS

MERCHANT BANKS

METALS & METAL FORMING

OIL & GAS

OTHER INDUSTRIAL MATERIALS

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

STORES

MINES

MISCELLANEOUS

PACKAGING, PAPER & PRINTING

GUIDE TO LONDON SHARE SERVICE

This service is available to [illegible] whose shares are regularly traded in the United Kingdom for a fee of [illegible] a year for each security shown, subject to the Editor's discretion

London Share Prices

London share prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT.
To obtain your free share Code [illegible]let ring (071 925-2128)

FT MANAGED FUNDS SERVICE

Current Unit Trust [illegible] are available on FT Cityline. Calls charged at [illegible] per [illegible] peak 36p [illegible] peak; inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

Murray Johnstone UT Mgmt (1000)H
7 West Nile St, Glasgow G2 2PX 0345 090 933

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Acumen	5	67.15	67.34	71.87	+0.37	4.51
Acumen Reserve	3	66.48	66.48	68.96	...	9.66
American Income	5	124.86	124.90	132.30	-1.20	3.66
Equity Income	5	76.18	76.18	81.30	-0.85	6.30
European	5	50.95	50.95	54.37	+0.32	1.40
Far Eastern	5	104.83	104.90	111.90	+0.80	0.92
Smaller Cos	5	46.49	46.49	49.61	-0.22	3.08
Olympiad	5¼	45.09	45.09	48.12	+0.42	0.94
Olympiad Income	5¼	41.72	41.72	44.50	+0.12	6.28
UK Growth	5	72.33	73.06	77.98	+0.34	1.93

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

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FT MANAGED FUNDS SERVICE

Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak, off peak, inc VAT. To obtain free Unit Trust Booklet ring (071)

Sovereign Unit Tst Mngrs Ltd (1000)F

Standard Chartered Equitor (1200)F

Standard Life Tst Mngmt Ltd (0629)H

Stewart Ivory Unit Tst Mngrs Ltd (1200)H

Sun Alliance Fund Mgmt Ltd (1200)F

Sun Life of Canada Unit Mngrs Ltd

Sun Life Trust Mngmt Ltd (1200)F

TSB Unit Trusts (1200)H

Target Trust Mngrs Ltd (1200)F

Templeton Unit Trust Managers Ltd (1200)F

Thornton Unit Managers Ltd (1000)F

Three Counties Asset Management Ltd (1430)F

Trades Union Unit Tst Mngrs (1200)H

Waverley Unit Tst Mngt Ltd (1000)F

Wessex Asset Management (1000)F

Whittingdale Unit Tst Mngmt Ltd

Windsor Unit Trust Managers Ltd

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

James Capel Fund Managers Ltd

Charities Official Inv Fd

Edinburgh Fund Mngrs PLC

Fidelity Investment Services Ltd

Robert Fleming Asset Mngmt Ltd

Henderson Unit Trust Management Ltd

INVESCO MIM Management Ltd

Lazard Brothers & Co. Ltd

Local Authorities Mutual Invest. Tst.

M & G Securities Ltd

Morgan Grenfell Investment Funds Ltd

Murray Johnstone UT Mngmt

Rothschild Asset Management

Societe Generale Touche Remnant UT Mngt

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

For Touche Rem see Societe Gen Touche Rem

INSURANCES

Abbey Life Assurance Co Ltd

Aetna Life Assurance

AEGON Life Assurance Co (UK) Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

American Life Insurance Co UK

Avon Insurance Plc

Barclays Life Assur. Co Ltd

Black Horse Life Assurance

Britannia Life Ltd

Canada Life Group

Cannon Assurance Ltd

Century Life Plc

Citibank Life

City of Westminster Assurance

Clerical Medical Investments Group

Colonial Mutual Group

Combined Life Assurance Co

Commercial Union Group

Consolidated Life Assurance Co Ltd

Cornhill Insurance PLC

Crown Financial Management Ltd

Eagle Star Life Assurance Co Ltd

Eagle Star Insur./Midland Assur.

Equitable Life Assurance Society

Equity & Law

Family Assurance Society

Friends Provident

GT Unit Managers Ltd

General Accident (z)

General Portfolio Life Insur Plc

Assicurazioni GENERALI SpA

Gresham Unit Assurance Ltd

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Insurance Group

Henderson Administration

Homeowners Friendly Society

Ideal Insurance Co Ltd

Interlife Assurance Co Ltd

Irish Life Assurance Co Plc

Lancashire & Yorkshire Assur. Society

Laurentian Life plc

Legal & General

Liberty Life Assurance Co Ltd

Life Association of Scotland

Lifetime Assurance Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Group

M & G Life and M & G Pensions

MGM Assurance

Manchester Unity Assurance

Manulife Group

Merchant Investors Assurance Co Ltd

Mercury Life Assurance Co Ltd

NEL Pensions Ltd

NM Life Assurance Ltd

Continued on next page

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N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	104.1	109.6	—	–
Pension Managed Fd	101.8	107.1	—	–
Life Deposit Fd	111.0	116.9	—	–
Pension Deposit Fd	117.8	124.1	—	–

For National Fls see Target Life

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

Harvester Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	162.5	171.1	-2.8	–
[illegible]	167.5	176.4	-6.0	–
[illegible]	131.4	138.4	+0.5	–
[illegible]	155.2	163.4	+0.9	–
[illegible]	130.3	137.2	-2.7	–
[illegible]	151.5	159.5	-0.7	–
[illegible]	164.7	173.4	+0.3	–
[illegible]	134.7	141.9	+0.3	–

[illegible] Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	343.0	361.1	+1.1	–
UK Equity	427.3	449.8	+2.4	–
Overseas Eq	328.9	346.3	+0.1	–
Americas	278.8	293.5	-0.8	–
Far East	353.5	372.2	+2.6	–
Property	194.3	204.6	—	–
Fixed Int	271.9	286.3	+0.6	–
Indexed Gilt	161.0	169.5	+0.2	–
Deposit	188.2	198.2	—	–
With Profit	105.3	110.9	—	–
Pension Fund (Accum Units)				
Managed	495.7	[illegible]	+2.3	–
UK Equity	580.2	[illegible]	+3.2	–
Overseas Eq	556.9	[illegible]	+2.8	–
Americas	352.1	[illegible]	+1.2	–
Far East	579.0	[illegible]	+4.6	–
Property	248.0	[illegible]	-0.1	–
Fixed Int	398.3	[illegible]	+0.9	–
Indexed Gilt	175.7	[illegible]	+0.3	–
Deposit	267.2	[illegible]	+0.1	–

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	213.9	225.7	-0.1	–
UK Fixed Int Acc	189.6	200.1	+1.1	–
Intl Equities Acc	168.0	177.3	+4.8	–
UK Managed Acc	168.2	177.4	+0.5	–
Property Acc	224.5	236.9	[illegible]	–
Money Acc	134.1	142.5	[illegible]	–
Special Market Acc	144.1	152.1	[illegible]	–
Japan Equity Acc	96.1	101.4	[illegible]	–
North American Acc	97.8	103.2	[illegible]	–
Pacific Acc	91.5	96.6	[illegible]	–
Technology Acc	119.7	126.3	[illegible]	–
Nat Resources Acc	55.5	58.6	[illegible]	–
European Acc	96.7	102.1	[illegible]	–
Residential Prop Acc	90.6	95.6	—	–
Swiss Equities Acc	32.0	33.8	+0.4	–
Hong Kong Acc	68.4	72.2	+1.7	–
UK High Inc Eq Acc	69.3	73.2	+0.3	–
Int Fixed Interest Acc	60.8	64.2	+0.2	–
Int Managed Acc	55.2	58.2	[illegible]	–
HIP Managed Acc	113.8	120.0	[illegible]	–
HIP Managed II Acc	98.9	104.3	[illegible]	–
HIP Managed III Acc	106.9	112.7	[illegible]	–
Total Investment Bond				
UK Equity Initial		145.0	-0.1	–
UK Fixed Int Initial		128.8	+0.7	–
Intl Equities Initial		113.2	+3.1	–
UK Managed Initial		114.2	+0.2	–
Property Initial		153.5	—	–
Money Initial		91.4	[illegible]	–
Special Market Initial		111.6	[illegible]	–
Japan Equity Initial		74.4	[illegible]	–
North American Initial		73.7	[illegible]	–
Pacific Initial		70.9	[illegible]	–
Technology Initial		92.7	[illegible]	–
Nat Resources Initial		43.0	[illegible]	–
European Initial		86.5	[illegible]	–
Residential Prop Init		86.2	[illegible]	–
Swiss Equities Initial		30.4	[illegible]	–
Hong Kong Initial		65.2	[illegible]	–
UK High Inc Eq Init		66.0	[illegible]	–
Int Fixed Interest Init		58.6	[illegible]	–
Int Managed Init		53.3	[illegible]	–
HIP Managed Init		110.3	[illegible]	–
HIP Managed II Initial		97.1	[illegible]	–
HIP Managed III Init		106.1	[illegible]	–

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

For Pioneer Mutual see Swiss Pioneer

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pension Ltd

For Property Equity & Life see Eurolife Ass Co

Prosperity Life Assurance Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

For Regency Life Ass see AEGON Life Ass

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd—Contd.

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Skandia Life Assurance Co Ltd—Contd.

Standard Life Assurance Company

Sun Alliance Group

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Target Life Assurance Co Ltd—Contd.

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

For UK Life assurance see Century Life Plc

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

Albany International Assurance Ltd

Eagle Star Intl Financial Services

Equitable Life (International)

Equity & Law Intl Life Assce Co Ltd

Eurolife Assurance Group

Fleming International Ltd

Hansard International Ltd.

Isle of Man Assurance Ltd

NEL Britannia International Ltd

PanEuroLife société anonyme

Premium Life International Ltd

Providence Capital International Ltd

Royal Life Intl. Ltd.

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

C F S Financial Mngmt

Capital Trust Financial Management

de Vere PLC

ECU Futures Plc

Fairmount Financial Services Ltd

Garbmore Fund Managers Ltd

Hornbuckle Financial Services

IPS Capital Management PLC

Independent Financial Group PLC

Johnson Fry Asset Managers Plc

Knight Williams & Company Ltd

Macartney & Dewis Invest Mngt Plc

Northern Blogs & Partners

PBR Fund Management Ltd

Pendleton May Financial Services Ltd

Sharp (Albert E.) & Co.

Sittalis Fund Managers Limited

South Yorks Financial Planning

Charles Stanley & Co Ltd

Tettenhall Investment Mngt. Ltd

Terry Lee & Co

J. B. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Orion Fund Limited

CANADA (SIB RECOGNISED)

Ivory & Sime Pembroke Inc

GUERNSEY (SIB RECOGNISED)

Adams & Neville Fd Mangt (Guernsey) Ltd

Barclays Intl Fd Managers (Guernsey) Ltd

Gartmore Fund Managers (Guernsey) Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Henderson Fd Mgrs (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lion World Fixed Income Fund

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prolific International Mngmt Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Funds

Saradin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

GAM Fund Management Ltd

Hafele Prolific International Mngmt Ltd

IRELAND (REGULATED)

Bank of Ireland Unit Managers Ltd

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Baring International Fd Mngrs (Ireland) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Australia	$16.64	17.48	-0.09	1.05
Japan Tech	$57.23	60.10	+0.89	-
Japan Fund	$24.50	25.73	+0.46	0.17
Japan New Gartn Fd	$18.20	19.11	+0.12	-
Malay Sing	$53.68	56.37	+0.11	0.31
Nth American	$22.01	23.12	+0.08	0.58
October Fund	$21.53	22.61	+0.10	0.88
Pacific Fd	$61.34	64.41	+0.06	-
International Bond	$17.01	17.87	....	6.09
Europa Fund	$13.00	13.65	-0.02	-
British Screen Fd	$0.88	0.93	....	-
Trivar Warrant	$10.91	11.46	+0.09	-
Hong Kong	$51.16	53.72	+0.51	3.09
Mngd Portfolio (Stlg)	£4.30	4.52	+0.02	-
Mngd Portfolio (DM)	$10.08	10.64	+0.04	-
Currency Fd-Sterling		£19.73	....	-
Currency Fd-US Dollar		$15.48	+0.01	-
Curr Fd-Deutschmark		DM40.96	+0.03	-
Curr Fd-Managed S	$45.80	48.09	+0.08	-

Federated International Funds Plc

Federated Short-term US Gov't Securities Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Institutional Serv Series*		$1.00	....	4.64
Investment Series*		$1.00	....	4.54

*Annualised Yield

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1600)F

Lord Street, Douglas, IoM 0624 661551

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
ADI Managed(z)	[illegible]	[illegible]	0.5709	0.6080	[illegible]	1.35
ADI Mngd Currency(z)	[illegible]	[illegible]	[illegible]	0.4295	[illegible]	5.41
ADI W'wide Eq(z)	[illegible]	[illegible]	[illegible]	0.6843	[illegible]	1.13
ADI Nth Amer Gth	[illegible]	[illegible]	[illegible]	0.8294	[illegible]	0.01
ADI Far East (z)	[illegible]	[illegible]	[illegible]	1.151	[illegible]	1.16
ADI Gilt & Income	[illegible]	[illegible]	[illegible]	0.2671	....	8.54
ADI UK Cap Gth	[illegible]	[illegible]	[illegible]	0.2332	[illegible]	3.47
ADI Europe Fd (z)	5	1.016	1.076	1.143	[illegible]	1.56

For conversion Values of Shares Phone: 0624 662860

ISLE OF MAN (REGULATED)(**)

GUERNSEY

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

Tyndall International (Bermuda) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Capital Protection (z)	C$12.13	12.7	..	-
Commodity	$13.08	13.7	..	-
Eurobond	$35.73	37.5	+0.08	-
Money (z)	$38.12	40.0	+0.01	6.84
Mortgage (z)	C$17.29	18.1	..	-
North American	$45.41	47.70	+0.25	-
Overseas	$26.68	28.02	+0.10	-
Pacific Gold	$3.34	3.52	(z)	-
Tiger	$41.17	43.24	+0.04	-

Wardley Investment Services Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Wardley S.E. Asia Tst	$12.83	13.55	-0.16	0.88
Japanese Warrants	$5.16	5.47	-0.20	-
Asian Warrants	$10.50	11.12	-0.60	-
European Warrants	$4.00	4.24	-0.14	-
Managed	HK$10.04	10.63	+0.06	-
Private Capital Tst		$19.54	-0.14	-

Wellington Fd Mngrs (Bermuda) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intnl Growth Fd	$12.83	13.48	.....	-

Wells Fargo U.S. IT Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Wells Fargo A Shs (z)		$11.24	+0.02	-
Wells Fargo B Shs (z)		$12.39	+0.08	-

Xiphias International Investment Fd Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Xiphias Int USD		$1.0819	.	-
Xiphias Int ECU		Ecu1.0751	.	-

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. u Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). x Offered price includes all expenses except agent's commission. z Previous day's price. ‡‡ Guernsey gross. ø Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase, ad ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey, Financial Services Commission; Ireland, Central Bank of Ireland; Isle of Man, Financial Supervision Commission; Jersey, Commercial Relations [illegible]; Luxembourg, Institut Monétaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar up on Soviet debt move

THE DOLLAR rallied and D-Mark weakened yesterday after [illegible] Bank for Foreign Economic Affairs [illegible] had suspended principal [illegible] payments to [illegible] commercial banks from today.

Vnesheconombank said the Soviet Union was facing "a [illegible] critical situation in [illegible] economic and financial field." The [illegible] reminded the market [illegible] deepening economic crisis [illegible] the unfolding political turmoil in the Soviet Union. On Tuesday [illegible] Federal Reserve chairman, Mr Alan Greenspan, warned that [illegible] disintegration of the Soviet Union could result in hyper-inflation.

The dollar rose from [illegible] to [illegible] as [illegible] the [illegible] suspension swept around [illegible] market. But according [illegible] Mr David Cocker, [illegible] in London, when it emerged [illegible] Vnesheconombank [illegible] tinue [illegible] interest payments [illegible] banks, [illegible] dollar's rally ran [illegible].

The [illegible] had been [illegible] the [illegible] news on [illegible] poor [illegible] US revised [illegible] national product figures. GNP [illegible] by [illegible] in [illegible] third quarter compared with a previous [illegible] of 2.4 [illegible] cent [illegible] expectations of [illegible] increase.

The worries [illegible] economic weakness were reinforced later in the day after Mr Marlin Fitzwater, the White House spokesman, said the American economy is growing more slowly and [illegible] "real problems."

[illegible] analysts said [illegible] is a growing belief that [illegible] slow [illegible] of [illegible] could [illegible] another easing on the Federal Reserve. The November employment report, [illegible] tomorrow, [illegible] whether the [illegible] moves on [illegible].

The currency market is expecting non-farm payroll to have fallen by 22,000 compared with an October decline of 1,000. [illegible] operators now think [illegible] Federal [illegible] will wait for the inflation figures [illegible] if they show [illegible] cost pressures are under control, the way will be clear for Fed funds to be lowered to 4½ per cent from 4¾ per cent.

The dollar rose to DM1.6140 from DM1.6135; to SFr1.4290 from SFr1.4275; and [illegible] from Y129.45.

The D-Mark [illegible] from the [illegible] announcement as dealers worries about the implications for the German banking system. But the market may have over-reacted: analysts pointed out that as most German banks have made provisions against Soviet debt, the impact would be not be that great.

The D-Mark was also underpinned by [illegible] suggestions that the Bundesbank may decide [illegible] council meeting today. Opinion appeared [illegible] evenly [illegible] on whether the Bundesbank would [illegible] Maastricht summit before tightening.

The mark slipped back [illegible] within the ERM. [illegible] lead over the weakest currency fell to 3.15 per cent from 3.21 per cent. Sterling [illegible] at [illegible] from [illegible].

£ IN NEW YORK

Dec.4	Latest	Previous Close
£ Spot	1.7720-1.7730	1.7750-1.7760
1 month	0.82-0.81pm	0.85-0.83pm
3 months	2.51-2.48pm	2.50-2.47pm
12 months	9.40-9.30pm	9.30-9.20pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		Dec.4	Previous
8.30	am	90.4	90.5
9.00	am	90.4	90.5
10.00	am	90.4	90.5
11.00	am	90.5	90.4
Noon		90.5	90.4
1.00	pm	90.5	90.4
2.00	pm	90.5	90.5
3.00	pm	90.5	90.5
4.00	pm	90.5	90.5

CURRENCY MOVEMENTS

Dec. 4	Bank of England Index	Morgan** Guaranty Changes %
Sterling	90.5	-21.2
U.S Dollar	63.2	-16.2
Canadian Dollar	105.3	+3.2
Austrian Schilling	110.2	+12.2
Belgian Franc	111.8	-1.7
Danish Krone	109.0	+3.2
D-Mark	119.0	+25.4
Swiss Franc	109.4	+17.8
Dutch Guilder	114.8	+16.5
French Franc	109.1	-12.9
Lira	98.7	-19.9
Yen	140.9	+75.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Dec.3

CURRENCY RATES

Dec. 4	Bank & rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.783030	0.713319
U.S Dollar	5.00	1.38792	1.26807
Canadian $	8.17	1.57390	1.44129
Austrian Sch	7.50	15.7473	14.3350
Belgian Franc	8.00	46.1485	41.9604
Danish Krone	9.50	8.70950	7.92415
D-Mark	7.50	2.23830	2.03652
Dutch Guilder	8.00	2.52254	2.29520
French Franc	10¼	7.65368	6.96106
Italian Lira	11½	1690.04	1538.67
Japanese Yen	5.00	179.458	164.088
Norway Krone	8	8.81829	8.02560
Spanish Peseta	-	142.853	130.455
Swedish Krona	10.00	8.20677	7.46448
Swiss Franc	7.00	1.97987	1.80383
Greek Drach	19	N/A	232.158
Irish Punt	-	N/A	0.764587

& Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Dec.3

OTHER CURRENCIES

Dec 4	£	$
Argentina	17577.0 - 17605.0	9900.00 - 9910.00
Australia	2.2570 - 2.2590	1.2720 - 1.2725
Brazil	1529.00 - 1530.00	861.000 - 861.150
Finland	7.7215 - 7.7360	4.3480 - 4.3510
Greece	322.450 - 327.600	181.560 - 184.470
Hong Kong	13.7810 - 13.7940	7.7655 - 7.7675
Iran	116.25*	66.00*
Korea(Sth)	1328.50 - 1349.95	749.70 - 758.70
Kuwait	0.50630 - 0.50700	0.28560 - 0.28590
Luxembourg	58.85 - 58.95	33.15 - 33.25
Malaysia	4.8685 - 4.8770	2.7480 - 2.7500
Mexico	5398.00 - 5405.00	3040.00 - 3042.00
N Zealand	3.1480 - 3.1515	1.7765 - 1.7785
Saudi Ar.	6.6260 - 6.7030	3.7495 - 3.7505
Singapore	2.9395 - 2.9465	1.6580 - 1.6600
S.Af (Cm)	4.9395 - 4.9515	2.7890 - 2.7910
S.Af (Fn)	5.3780 - 5.4605	3.0350 - 3.0815
Taiwan	45.65 - 45.75	25.70 - 25.80
U.A.E.	6.4895 - 6.5665	3.6715 - 3.6735

[illegible] rate. [illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Dec 4	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	130.455	-2.38	[illegible]	41
Belgian Franc	42.4032	41.9604	-1.04	[illegible]	44
D-Mark	2.05586	2.03652	-0.94	[illegible]	51
Dutch Guilder	2.31643	2.29520	-0.92	[illegible]	38
Irish Punt	0.767417	0.764587	-0.37	[illegible]	10
Italian Lira	1538.24	1538.67	0.03	[illegible]	-4
French Franc	6.89509	6.96106	0.96	[illegible]	-60
Danish Krone	7.84195	7.92415	1.05	[illegible]	-54
Sterling	0.696904	0.713319	2.36	0.00	-46

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Dec 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7720 - [illegible]	1.7730 - 1.7740	0.82-0.80cpm	5.48	2.52-2.49pm	5.65
Canada	2.0100 - 2.0200	2.0105 - 2.0115	0.54-0.48cpm	3.04	1.62-1.52pm	3.12
Netherlands	3.2125 - 3.2325	3.2225 - 3.2325	[illegible]cpm	0.93	[illegible]pm	0.93
Belgium	58.65 - 59.00	58.85 - 58.95	6-1cpm	0.71	19-14pm	1.12
Denmark	11.0825 - 11.1475	11.1375 - 11.1475	[illegible]orepm	1.14	[illegible]pm	1.03
Ireland	1.0700 - 1.0760	1.0725 - 1.0735	0.05-parcpm	0.28	0.10-parpm	0.19
Germany	2.8525 - 2.8650	2.8600 - 2.8650	[illegible]pfpm	0.79	[illegible]pm	0.96
Portugal	252.20 - 254.00	253.00 - 254.00	32-47cdis	-1.87	88-118dis	-1.63
Spain	182.25 - 183.10	182.50 - 182.80	30-37cdis	-2.20	86-98dis	-2.01
Italy	2152.00 - 2164.25	2163.25 - 2164.25	3-5liredis	-2.22	8-10dis	-1.66
Norway	11.2225 - 11.2850	11.2700 - 11.2800	[illegible]orepm	0.27	[illegible]pm	0.24
France	[illegible] - 9.[illegible]	9.7850 - 9.7950	[illegible]cpm	0.54	[illegible]pm	0.59
Sweden	10.4350 - 10.5100	10.4950 - 10.5050	[illegible]oredis	-1.86	[illegible]dis	-1.60
Japan	229.25 - 230.50	229.25 - 230.25	[illegible]ypm	4.24	[illegible]pm	4.46
Austria	20.06 - 20.16	20.13 - 20.16	[illegible]gropm	1.34	[illegible]pm	1.13
Switzerland	2.5250 - 2.5400	2.5300 - 2.5400	[illegible]cpm	2.37	[illegible]pm	2.37
Ecu	1.4010 - 1.4050	1.4035 - 1.4045	0.02dis-0.04cpm	0.09	0.09dis-0.01pm	-0.11

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.06-5.01cpm. 12 Month 9.45-9.35cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Dec 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7720 - 1.7790	1.7730 - 1.7740	0.82-0.80cpm	5.48	2.52-2.49pm	5.65
Ireland†	1.6495 - 1.6610	1.6495 - 1.6505	0.73-0.68cpm	5.13	2.30-2.20pm	5.45
Canada	1.1335 - 1.1365	1.1345 - 1.1355	0.21-0.25cdis	-2.43	0.70-0.75dis	-2.56
Netherlands	1.8045 - 1.8210	1.8200 - 1.8210	0.69-0.72cdis	-4.65	2.16-2.20dis	-4.79
Belgium	33.00 - 33.30	33.15 - 33.25	11.00-14.00cdis	-4.52	37.00-41.00dis	-4.70
Denmark	6.2350 - 6.2850	6.2800 - 6.2850	2.10-2.40oredis	-4.30	7.00-7.60dis	-4.65
Germany	1.6000 - 1.6175	1.6135 - 1.6145	0.61-0.62pfdis	-4.57	1.90-1.92dis	-4.73
Portugal	142.45 - 143.00	142.85 - 142.95	85-90cdis	-7.35	255-270dis	-7.35
Spain	102.60 - 103.30	103.10 - 103.20	65-68cdis	-7.74	198-205dis	-7.81
Italy	1210.75 - 1220.75	1219.75 - 1220.25	8.20-8.70liredis	-8.31	22.50-23.50dis	-7.54
Norway	6.3175 - 6.3650	6.3550 - 6.3600	2.80-3.10oredis	-5.57	8.75-9.25dis	-5.66
France	5.4725 - 5.5275	5.5175 - 5.5225	2.26-2.31cdis	-4.97	6.93-7.03dis	-5.06
Sweden	5.8700 - 5.9275	5.9175 - 5.9225	3.70-3.95oredis	-7.75	10.55-11.00dis	-7.28
Japan	129.00 - 129.55	129.45 - 129.55	0.11-0.12ydis	-1.07	0.37-0.38dis	-1.16
Austria	11.2850 - 11.3050	11.2975 - 11.3025	4.10-4.60grodis	-4.62	12.40-13.70dis	-4.62
Switzerland	1.4175 - 1.4295	1.4285 - 1.4295	0.38-0.41cdis	-3.32	1.17-1.21dis	-3.33
Ecu	1.2590 - 1.2690	1.2625 - 1.2635	0.60-0.57cpm	5.56	1.78-1.72pm	5.54

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Dec 4	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	10 - [illegible]	[illegible]	[illegible]
Italian Lira	12 - 10	[illegible]	[illegible]	[illegible] - 12	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Dec.4	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C $	B Fr.	Ecu
£	1	1.773	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2164	2.011	58.90	1.404
$	0.564	1	1.614	[illegible]	[illegible]	1.430	[illegible]	1221	1.134	33.22	0.792
DM	0.349	[illegible]	1	[illegible]	3.421	[illegible]	[illegible]	756.1	0.703	20.58	0.491
YEN	4.354	7.719	[illegible]	1000.	[illegible]	[illegible]	11.04	9421	8.755	256.4	6.112
F Fr.	1.021	1.811	[illegible]	[illegible]	10.	[illegible]	[illegible]	2210	2.054	60.16	1.434
S Fr.	0.394	0.699	[illegible]	[illegible]	[illegible]	1	1.273	853.6	0.793	23.23	0.554
N Fl.	0.310	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1	670.6	0.623	18.25	0.435
Lira	0.462	[illegible]	[illegible]	106.1	[illegible]	1.171	[illegible]	1000.	0.929	27.22	0.649
C $	0.497	[illegible]	[illegible]	[illegible]	[illegible]	1.261	[illegible]	1076	1	29.29	0.698
B Fr.	1.698	3.010	[illegible]	[illegible]	16.62	[illegible]	[illegible]	3674	3.414	100.	2.384
Ecu	0.712	1.263	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1541	1.432	[illegible]	1

Yen per 1,000: French Fr. per 10: [illegible] per [illegible] Fr. per [illegible]

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS [illegible]

LIFFE BUND FUTURES OPTIONS [illegible]

LIFFE EUROMARK OPTIONS [illegible]

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS [illegible]

LIFFE SHORT STERLING OPTIONS [illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT [illegible]

US TREASURY BOND FUTURES [illegible]

9% NOTIONAL GERMAN GOVT. BOND [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND [illegible]

9% NOTIONAL ECU BOND [illegible]

12% NOTIONAL ITALIAN GOVT. BOND (BTP) [illegible]

THREE MONTH STERLING [illegible]

THREE MONTH EURODOLLAR [illegible]

THREE MONTH EUROMARK [illegible]

THREE MONTH ECU [illegible]

THREE MONTH EURO SWISS FRANC [illegible]

FT-SE 100 INDEX [illegible]

FT-SE EUROTRACK 100 INDEX [illegible]

* Contracts traded on APT. Closing prices shown.

CHICAGO

U.S. TREASURY BONDS (CBT) 8% [illegible]

U.S. TREASURY BILLS (IMM) [illegible]

BRITISH POUND (IMM) [illegible]

SWISS FRANC (IMM) [illegible]

JAPANESE YEN (IMM) [illegible]

DEUTSCHE MARK (IMM) [illegible]

THREE-MONTH EURODOLLAR (IMM) [illegible]

STANDARD & POORS 500 INDEX [illegible]

PHILADELPHIA SE £/$ OPTIONS [illegible]

PARIS

7 TO 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES [illegible]

6 TO 10 YEAR 10% ITALIAN LONG TERM CONTRACT (MATIF) FUTURES [illegible]

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate) [illegible]

CAC-40 FUTURES (MATIF) Stock Index [illegible]

ECU BOND (MATIF)

December	105.78	105.66	+0.02	105.82	105.64	9.12	3,531
March	105.74	105.74	+0.02	105.90	105.[illegible]	[illegible]	1,291

Estimated volume 3,323 Total Open Interest [illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls March	Calls June	Calls September	Puts March	Puts June	Puts September
105	1.49	-	-	0.62	-	-
106	[illegible]	1.66	-	1.04	1.10	-
107	0.53	-	-	-	-	-
108	0.29	[illegible]	-	-	-	-
Open Int.	119,933	10,484	[illegible]	84,402	[illegible]	N/A

Estimated volume 24,771 Total [illegible] interest [illegible]

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7735	1.7654	1.7483	1.7231	1.6790

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk.	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc	14	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk	10.5	Unity Trust Bank Plc	[illegible]
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Rates firmer

EUROPEAN money [illegible] were slightly [illegible] yesterday as [illegible] for the Bundesbank council [illegible] this morning. But a [illegible] national product figures put downward [illegible] on [illegible] rates.

In Frankfurt, call money rates rose towards the Bundesbank's 9.25 per cent Lombard emergency funding rate on heightened speculation about the outcome of today's meeting.

While [illegible] agree [illegible] will [illegible] rise this year, opinion remains divided about whether the Bundesbank will move today or at the next council meeting in a fortnight's time.

About half the market believes the Bundesbank will wish to assert its independence from Bonn and show greater [illegible] on inflationary pressures by raising the Lombard [illegible] by [illegible] point to 9¾ per cent.

But many other [illegible] think [illegible] political pressures before the Maastricht summit will make the Bundesbank wait until its next meeting.

Call money was quoted at 9.15-9.25 per cent, up from [illegible] per cent. Upward [illegible] after [illegible] Bundesbank drained DM2.9bn from the Frankfurt money markets in its latest securities repurchase tender.

The Bundesbank accepted bids of DM44.9bn at this week's tender. It allocated DM32.3bn of thirty day funds, mostly at 9.25 per cent and DM12.6bn of sixty three day funds, mostly at 9.30 per cent. This compared with an expiring facility of DM47.8bn.

Other European rates were firmer. The French December inter-bank rate fell 8 points to 90.09 on worries about a rise in German rates. Elsewhere, the December Euro-swiss [illegible] down 2 points [illegible] 90.70. Italian rates also firmed.

London money [illegible] firm with [illegible] three months inter-bank [illegible] unchanged [illegible] 10⅞-¾ per cent. Sterling's [illegible] firmer tone against the D-Mark had little impact on [illegible].

In [illegible] futures market, March short sterling was up 4 points at 89.70.

Short rates were easier for much of the session after the Bank of England provided early assistance of £656m, which virtually met all of the day's projected £700m shortage. But later, rates hardened [illegible] the Bank revised its [illegible] £850m but provided only another £25m [illegible] assistance, which [illegible] £169m short.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec.4) [illegible] US [illegible]		[illegible] months US [illegible]	
bid 4[illegible]	offer 4[illegible]	bid 4[illegible]	offer 4[illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and [illegible]

Lunchtime

Prime rate	7½	One month	4.14	Three year	5.62
Broker loan rate	6¾	Two month	4.15	Four year	5.73
Fed.funds	4[illegible]	Three month	4.45	Five year	6.35
Fed.funds at intervention	-	Six month	4.48	Seven year	6.80
		One year	4.60	10-year	7.25
		Two year	5.25	30-year	7.89

Dec.4	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.15-9.25	9.30-9.50	9.30-9.50	9.30-9.50	9.30-9.50	9.25
Paris	[illegible]-10[illegible]	[illegible]-10[illegible]	[illegible]	[illegible]	[illegible]	9.25
Zurich	[illegible]	[illegible]	-	[illegible]	-	-
Amsterdam	9.31-9.43	9.40-9.50	-	9.42-9.52	-	-
Tokyo	[illegible]	[illegible]	-	[illegible]	-	-
Milan	[illegible]	[illegible]	-	[illegible]	-	-
Brussels	[illegible]	[illegible]	-	[illegible]	-	-
Dublin	[illegible]-10	10[illegible]-10½	10[illegible]-10½	10[illegible]-10½	10[illegible]-10½	-

LONDON MONEY RATES

Dec 4	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11¼	10½	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	8	[illegible]	10½	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10½
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10½	[illegible]	-	-	-	-
Company Deposits	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	-	-	[illegible]	[illegible]	[illegible]	-
Bank Bills (Buy)	-	-	[illegible]	[illegible]	[illegible]	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	5.15	4.87	4.75	4.85
SDR Linked Dep. Offer	-	-	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	-	-	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	-	-	10½	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	-	-	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell); one-month 10[illegible] per cent; three months 10 per cent; six months 9[illegible] per cent; Bank Bills (sell): one-month 10[illegible] per cent; three months 10[illegible] per cent; Treasury Bills; Average tender rate of discount 10.0806 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day Novem[illegible] 29, 1991. Agreed rates for period Dec.25, 1991 to January 25, 1992, Scheme I: 11.74 [illegible] Schemes II & III: 11.75 p.c. Reference rate for period November 1, 1991 to November 29, 1[illegible] Scheme IV&V: 10.513 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from December 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5,1991. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

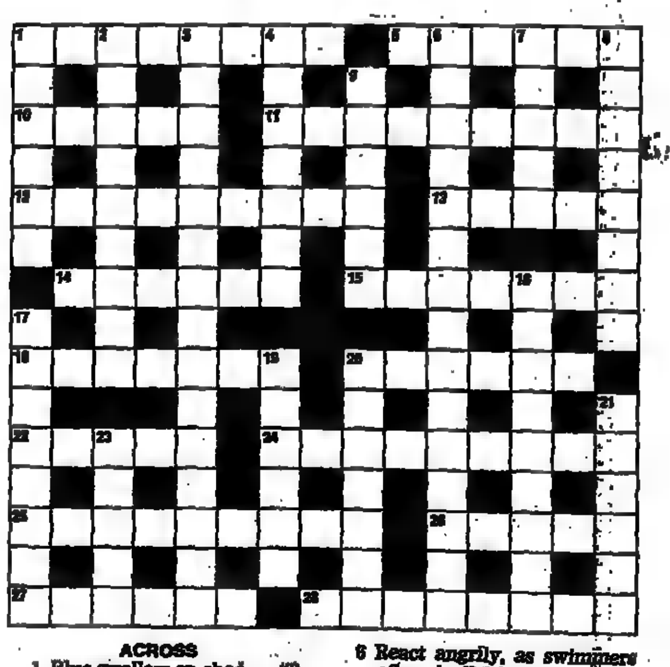
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

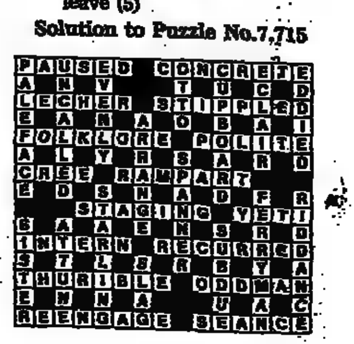
No.7,716 Set by GRIFFIN



ACROSS
1 Blue swallow on shed ... (8)
5 ... settled on silver pipe (6)
10 Whispered "fellow isn't speaking badly" (5)
11 Bachelor left rabbits on galleries (9)
12 His cattle disrupted sports (9)
13 Which may take a picture? (5)
14 Share I had in seedy club (6)
15 Moving near the capital (7)
18 Left hospital a warning (7)
20 One carrying on where others are often below par? (6)
22 Meal with companion on train (5)
24 Subdued crowd rush round (9)
25 Travelling east I can rave about (9)
26 Cut back on writing tests (5)
27 Drink second scotch (6)
28 Club bulged when dancing in progress (8)

DOWN
1 Feed bananas to volunteers climbing ruin (6)
2 In wire production age is more important (9)
3 Revolvers which emit sparks (9,6)
4 Lofty double-decker stands by tree (7)
6 React angrily, as swimmers often do (2,8,3,4,3)
7 In time I caught her (5)
8 Distinguishes from ciders brewed by Poles (8)
9 Private courtyard, sort of square (6)
16 Restore, using guidelines, a famous gallery (9)
17 Puts new displays at a higher level (8)
19 Burnt a scruffy hat (6)
20 Sort of letter punishable by death (7)
21 Dies, collapsing against inventor (6)
23 One last word before you leave (5)

Solution to Puzzle No.7,715



WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · GERMANY · NETHERLANDS · SWEDEN · SWITZERLAND · NORWAY · ITALY · SPAIN · JAPAN · SOUTH AFRICA · AUSTRALIA · HONG KONG · MALAYSIA · SINGAPORE

[illegible]

Price data supplied by Telekurs.

CANADA

Sales	Stock	High	Low	Close	Chng
[illegible]					

TORONTO

3:00 pm prices December 4

Quotations in cents unless marked $

Total Sales 9,032,800 shares

MONTREAL

3:00 pm prices December 4

INDICES

NEW YORK

DOW JONES	Dec 3	Dec 2	Nov 29	Nov 28	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2929.56	2935.38	2894.68	(c)	3077.15 (18/10)	2470.30 (9/1)	3077.15 (18/10/91)	41.22 (2/7/32)
Home Bonds	97.65	97.43	97.19	(c)	97.92 (12/11)	91.30 (16/1)	97.92 (12/11/91)	54.99 (1/10/81)
Transport	1223.28	1199.36	1172.27	(c)	1287.56 (18/10)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	220.64	221.64	218.03	(c)	221.64 (2/12)	195.17 (18/7)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2950.18 (2941.64) Low 2904.74 (2855.32)

STANDARD AND POOR'S

	Dec 3	Dec 2	Nov 29	Nov 28	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	380.96	381.40	375.22	(c)	397.41 (13/11)	311.49 (9/1)	397.41 (13/11/91)	4.40 (1/6/32)
Industrials	449.02	449.84	442.42	(c)	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	30.41	30.34	29.77	(c)	32.54 (13/11)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	210.55	210.65	207.75	(c)	219.37 (13/11)	170.97 (9/1)	219.37 (13/11/91)	4.46 (25/4/42)
Amex Mkt. Value	372.45	371.89	370.68	(c)	392.37 (12/11)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	533.34	530.91	523.90	(c)	556.17 (13/11)	355.75 (14/1)	556.17 (13/11/91)	54.87 (31/10/72)

	Nov 29	Nov 22	Nov 15	year ago (approx.)
Dow Industrial Div. Yield	3.15	3.15	3.10	4.01

	Nov 27	Nov 20	Nov 13	year ago (approx.)
S & P Industrial div. yield	2.82	2.80	2.67	3.42
S & P Indl. P/E ratio	22.78	22.79	22.04	15.37

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Unisys	7,209,500	5¼	---
USX-Marathon	3,472,500	24⅛	- 1⅛
Glaxo	2,823,100	29	---
Nabisco	2,466,200	9⅞	---
Wal-Mart	2,276,400	49⅞	+ ⅛
Adv Micro	2,253,900	14⅞	+ ⅛
AT & T	1,917,200	36⅛	+ ¼
Ohio Ed	1,914,300	19⅞	---
Chiquita	1,717,900	36½	- 4⅞
Ph Morris	1,617,800	68⅛	- ⅛

TRADING ACTIVITY

† Volume (Millions)	Dec 3	Dec 2	Nov 29
New York SE	188,077	188,371	76,790
Amex	11,444	13,247	6,921
NASDAQ	166,300	145,913	66,316
NYSE			
Issues Traded	2,160	2,162	2,059
Rises	825	926	746
Falls	834	779	762
Unchanged	501	457	551
New Highs	62	46	22
New Lows	31	70	44

CANADA

TORONTO	Dec 3	Dec 2	Nov 29	Nov 28	1991 HIGH	1991 LOW
Metals & Minerals	2834.08	2851.27	2846.05	2854.58	3299.99 (18/7)	2632.06 (9/1)
Composite	3453.41	3456.38	3448.51	3436.64	3604.09 (12/11)	3161.95 (15/1)
MONTREAL Portfolio	1825.15	1819.91	1815.84	1810.02	1907.35 (12/11)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Dec 4	Dec 3	Dec 2	Nov 29	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1614.8	1607.9	1591.1	1605.7	1696.3 (8/11)	1204.5 (16/1)
All Mining (1/1/80)	646.0	641.5	630.8	638.5	707.2 (24/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	404.29	403.54	403.87	412.41	534.81 (16/4)	385.58 (4/11)
BELGIUM						
BEL20 (1/1/91)	1077.60	1067.44	1059.37	1069.06	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	351.85	352.04	350.97	354.24	380.04 (2/8)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	812.0	821.2	839.9	847.1	1186.9 (8/4)	810.3 (14/11)
FRANCE						
CAC General (31/12/82)	472.91	470.84	471.92	477.39	503.51 (15/11)	394.88 (15/1)
CAC 40 (31/12/87)	1713.93	1722.21	1708.78	1739.70	1887.29 (1/10)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	641.47	635.07	633.71	642.82	717.43 (17/6)	570.48 (15/1)
Commerzbank (1/12/53)	1812.30	1793.40	1789.40	1814.60	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1560.96	1546.84	1545.44	1566.57	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	4161.54	4124.38	4094.42	4149.80	4271.34 (15/11)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1356.08	1350.69	1347.51	1353.30	1520.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	509.01	513.28	510.25	518.50	619.38 (3/6)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	22669.44	22166.83	21992.29	22687.35	27146.91 (18/3)	21456.76 (19/8)
Tokyo SE (Topix) (4/1/68)	1728.47	1708.59	1692.40	1731.30	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	2498.50	2496.92	2503.10	2528.55	3423.45 (10/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	529.41	528.38	528.21	532.09	635.02 (29/5)	470.41 (16/1)
NETHERLANDS						
CBS Tll.Rtn.Gen.(End 1983)	273.1	272.5	270.1	273.2	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	191.8	191.4	189.6	191.9	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	620.94	598.72	596.77	624.56	793.53 (26/8)	595.77 (2/12)
PHILIPPINES						
Manila Comp (2/1/85)	1104.29	1109.91	1096.03	1088.08	1183.40 (29/5)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	390.42	391.19	390.26	393.12	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1224.0	1216.0	1257.0	1233.0	1469.0 (5/7)	971.0 (25/2)
JSE Industrial (28/9/78)	4163.0	4173.0	4175.0	4220.0	4364.0 (13/11)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	631.59	643.93	651.44	652.47	763.10 (6/8)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	245.75	244.12	243.14	246.42	299.22 (18/3)	213.70 (14/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	929.10	932.60	932.20	954.80	1149.8 (11/7)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	720.4	714.7	708.9	719.7	769.3 (14/11)	590.4 (14/1)
SBC General (1/4/87)	588.3	584.6	580.1	586.9	638.0 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	4378.13	4343.24	4355.02	4391.61	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	670.07	663.75	666.60	671.07	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) (S)	502.7*	501.8	499.4	500.0	529.2 (17/4)	439.1 (16/1)

**Saturday November 30: Taiwan Weighted Price: 4378.50; Korea Comp Ex. 652.11.
*Calculated at 15.00 GMT.
‡ Subject to official recalculation.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000. JSE Gold – 255.7. JSE 20 Industrials – 264.3 and Australia All Ordinary and Mining – 500: (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday, 4 December 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
NKK	5.9	335	0	Meiji Milk Prod	2.9	1,080	0
Hitachi	5.6	945	+21	Toshiba	2.8	626	+8
Japan Steel	3.4	583	+47	Clarion	2.4	1,220	+80
Okamoto	3.3	1,110	-10	Nippon Steel	2.4	373	+7
Shiseido	3.1	1,780	+40	Osaka Gas	2.3	690	+10

3:00 pm prices December 4

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
18⅞	9¾	AAR Corp	0.48	4.0	16	145	12¼	12⅛	12⅛	-⅛
22⅞	14½	A L Labs A	0.16	0.8	22	1554	20	19⅞	20	+⅛
65¾	40⅞	AMP Inc	1.44	2.7	21	681	63¾	62⅞	62⅞	-⅜
68⅝	44¼	AMR			1	15663	60⅞	60	60⅛	-⅝
2⅝	1	ARX			1	24	1⅛	1⅛	1⅛	-⅛
56	41½	ASA	3.00	6.1	14	322	49⅝	48⅞	49	-⅛
61⅞	39¼	Abbott Lab	1.00	1.7	24	2969	59⅝	59	59½	-⅛
14⅝	9⅞	Abitibi Pr	0.44	3.3	18	17	13⅞	13¼	13⅝	+⅛
11⅝	10⅜	ACM Gvt In	1.26	11.3		490	11⅛	11	11⅛	+⅛
9⅞	8¾	ACM GvOpp	1.01	10.5		47	9⅝	9½	9⅝	
9½	8⅛	ACM Gvt Sp x	1.01	11.1		868	9¼	9⅛	9⅛	
11	9⅞	ACM Gvt Se x	1.28	11.8		380	10⅝	10½	10⅝	
9	7⅞	ACM Man	1.01	11.7		198	8⅝	8⅝	8⅝	
12⅞	11½	ACM Managd	1.36	11.0		167	12¼	12⅛	12¼	+⅛
7½	4¾	Acme Cleve	0.40	6.6	13	58	6⅛	6⅛	6⅛	-⅛
5	3⅛	Acme Elect			3	5	4⅞	4⅞	4⅞	
40	22¾	Acuson			18	3928	29⅞	27½	27⅞	-¼
20¼	14¼	Adams Expr	1.63	9.1	0	86	17⅞	17⅝	17⅞	+⅛
20⅛	17½	Adobe12Pf	2.40	13.1		61	18⅜	18⅜	18⅜	-⅛
9¼	6⅛	Adobe Res			69	40	6⅛	6⅛	6	-⅛
38⅞	18	Ad Micro x				34	u39⅞	38⅛	38⅝	+½
16	4⅝	Ad Micro P	3.09	20.0	74	8506	u15⅞	14⅞	15	+⅛
5⅛	2⅛	Advest Grp	0.16	3.6	6	118	4½	4⅜	4⅜	
49⅛	31⅞	Aetna Lf x	2.76	7.0	7	988	39½	39¼	39¼	+⅛
10⅝	6⅝	AIRI A	0.24	2.8	77	1161	8⅝	8⅞	8⅞	
20⅞	12	Ahmanson	0.88	6.1	8	2624	14⅝	14⅛	14⅜	-⅛
18½	2⅞	Aileen Inc			19	306	u19⅞	18⅝	19¼	+⅝
74⅛	61⅞	Air Pr Chm x	1.66	2.3	15	3176	69⅛	68⅛	68⅛	-½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	1991 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17⅝	13½	Ruddick x	0.24	1.6	12	189	14⅞	14¼	14⅞	+⅛
18⅝	13	RussBerrie	0.60	3.8	14	20	15¾	15¾	15¾	
7⅛	⅝	Russ Togs	0.20	20.0	0	84	1⅛	1	1	−¼
30⅞	19¾	Russell Cp	0.32	1.1	22	427	28⅛	27⅞	27⅞	−⅜
21⅝	14	Ryder Sys	0.60	3.4	27	2092	18⅛	17⅝	17¾	−⅜
25¼	13¾	Ryland Grp	0.60	3.1	27	143	19½	19¼	19½	+½

- S -

1991 High	1991 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅞	20⅜	S Anita Rt	2.08	10.0	18	223	21⅛	20¾	20¾	−⅝
16½	11½	SCOR US Cp	0.24	1.6	8	21	15½	15¼	15¼	−¼
37	20¾	SPS Techno	1.28	5.4	18	37	23⅞	23¼	23⅞	
2⅛	⅝	SwabdiUS	0.19	30.4		03864	[illegible]	d⅝	⅝	
13⅛	11	Sabine Rlt	1.63	12.5	7	43	13	12⅞	13	
11⅜	5⅞	Safecard	0.15	1.6	8	212	9½	9⅛	9⅛	−⅛
16¾	8⅝	Safeg'd Sc			8	421	15¾	14⅛	15½	+1⅜
37	25	SafetyKln x	0.32	1.2	25	802	26⅛	25¾	26⅛	
21⅝	11⅞	Safeway			12	869	16⅛	15½	15⅝	−⅛
4⅞	2⅝	SafewayWss				100	3⅝	3¼	3¼	
35⅞	25⅞	StJoePaper	0.20	0.6	42	11	32⅛	32⅛	32⅛	−⅛
34¼	26⅝	StJostAP	1.66	5.0	12	72	33⅜	33¼	33¼	+⅛
74⅛	57	St Paul's x	2.60	3.9	7	1050	67¼	66⅝	66⅝	−¼
4⅛	1½	Salant Crp				0 5	2⅞	2⅞	2⅝	−⅛
89¾	43⅝	Sallie Mae x	1.00	1.6	18	1548	63	61⅛	62⅝	+⅝
14⅛	10⅝	Salomon Br x	1.61	12.8		174	12¾	12⅝	12⅝	−⅛
37	20¾	SalomonInc	0.64	2.3	6	1554	28¼	27⅝	27⅞	−⅝
45⅛	37⅛	SalDgo GE x	2.80	6.5	12	848	43⅛	43¼	43¼	−1⅛
4⅜	2⅞	SantaFeEDu	0.50	18.2	21	12	2⅞	d2⅛	2⅞	−⅛
16¾	9⅛	SantaFeERs	0.16	1.8	22	322	9⅞	9⅛	9⅛	
35⅛	25	SantaFePac	2.70	8.1	10	23	33½	33⅛	33⅝	+⅛
12⅛	5⅛	SantaFeSth			16	11738	11⅛	10⅞	10⅞	−⅛

[illegible]

- X - Y - Z -

1991 High	1991 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
66	35¾	Xerox x	3.00	4.7	60	1665	64⅛	63½	63⅝	
51⅛	43¼	Xerox 125 x				z100	49½	49½	51	+1⅜
25⅛	14⅛	Xtra 1.94				15	23	22⅞	23	
29⅝	14⅛	Xtra Corp	0.72	2.6	90	51	27⅝	27⅛	27⅛	+⅛
27⅞	21⅝	Yankee Egy	1.60	6.1	12	66	27	26⅞	26⅞	−⅛
1½	⅛	Zapata				66 114	⅝	d⅛	⅛	−⅛
9⅝	5¼	ZenithElec				2 724	7⅛	7	7	−⅛
16½	12	Zenith Nat	1.00	6.6	127	12	15⅝	15¼	15¼	−⅛
8⅝	4½	Zenix Inc	0.84	13.4		76	6¼	6⅛	6¼	+⅛
15⅛	10⅛	Zero Corp	0.40	3.7	14	154	10⅞	d10⅛	10⅛	
41⅞	29⅛	Zurn Ind x	0.88	2.6	13	64	34⅛	33⅞	33⅞	−⅛
13½	10¼	Zweig Fund	1.16	9.2		75	12¾	12½	12⅝	
10½	8½	Zweig Tot x	0.95	9.4		617	10⅛	10¼	10¼	−⅛

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices December 4

[illegible]

NASDAQ NATIONAL MARKET

3:00 pm prices December 4

[illegible]

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		31	2056	29	28	28	−⅛
XL Data		31	69	10½	10⅛	10⅜	
Xoma Corp		10	1080	17¾	17¼	17½	
Yellow Fr	0.94	86	3719	26⅛	26	26	+¼
York Rsch		60	1532	7⅜	7⅛	7⅛	
ZionsUtah	1.44	8	4	41¼	40¼	41¼	+1

AMERICA

Dow declines on evidence of economic weakness

Wall Street

BLEAK ECONOMIC news contributed to a slump on Wall Street yesterday morning, *writes Karen Zagor in New York.*

At 1.30 pm, the Dow Jones Industrial Average was 13.86 lower at 2,915.70 in moderate volume. On the big board, declining issues led advancing ones by a ratio of four to three.

The more representative Standard & Poor's 500 fell 1.57 *to 379.39 by 1 pm, but second*ary issues continued to defy the decline in primary stocks with the Nasdaq composite adding 1.41 to 534.75 by midsession. On Tuesday, the Dow eased 5.82 to 2,929.56.

The market digested the gloomy economic data yesterday morning, as it waited for tomorrow's November employment figures for further signs of whether monetary policy will be eased.

Third quarter GNP and GDP figures were both revised downwards, indicating negligible growth prospects for the fourth quarter. Furthermore, the Fed's "beige book" underlined the softness in the economy in October and early November.

Transportation stocks, which posted strong gains late on Tuesday after Pan Am said that its reorganisation plans had faltered, reversed direction. At 1 pm, the Dow Jones Transportation Average was 5.04 lower at 1,218.24 after climbing 23.92 a day earlier.

UAL, parent of United Airlines, fell $4¼ to $125¼. News that the company expects a record loss for 1991 came after the close on Tuesday.

Delta Air Lines, which essentially scuppered Pan Am's *plans to emerge from bank*ruptcy when it refused to provide any further funding for the cash-strapped carrier, eased $1 to $59¼. Pan Am ceased operations yesterday morning.

Live Entertainment held steady at $5⅝ at midsession, after plunging in early trading on news that a planned merger *with Carolco had failed.* Carolco gained $⅝ to $3⅞.

Unisys continued to lead big board trading, easing $¼ to $4⅝ as the market discounted reports earlier in the week that the struggling computer company is a takeover target.

A number of blue chip issues were heavily traded yesterday morning including General Electric, off $⅞ at $63⅝, General Motors, $⅝ lower at $29⅞ and Philip Morris, down $⅝ at $68¼.

IBM edged back towards a 52-week low, sliding $1 to $90¼.

Healthcare and medical stocks helped the secondary *market move higher. Cento*corp climbed $1⅛ to $51⅞ and Amgen added $1 to $58⅞.

Vestar surged $3⅞ to $15⅞ after the company won approval to market its fungal infection treatment, Ambisome, in the UK.

Mobley Environmental plummeted $3⅛ to $8 after the company said it expected fourth quarter earnings to fall below third quarter levels.

Canada

TORONTO stocks declined in sluggish midday trade. The composite index fell 21.6 to 3,431.8, but moved above the session low of 3,429.8. Declining issues led advances by 277 to 143 on volume of 12.9m shares valued at C$146.5m.

Royal Bank of Canada dropped C$⅛ to C$26⅛. Central Capital Corp said it would *need more time to repay* C$214m in short-term debt to the Royal Bank and four other lenders.

Istanbul backs new coalition government

John Murray Brown reports on a 70% index gain since the October general election

TURKEY'S stock exchange has given its own vote of confidence to the new coalition government. After sliding for most of the year, the equity market has risen by more than 70 per cent since the general election in October.

With little more than a nod and a wink from the government, the Istanbul bourse has shot up on hopes of lower interest rates, tax changes to encourage equities and the return of foreign investors.

Its 75-share index ended yesterday at 4,360, up 30 points since Tuesday. Turnover was around TL400bn ($80m).

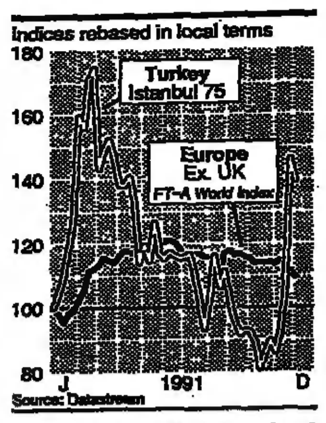
The market, at a current price/earnings ratio of around 12, is widely seen as undervalued. According to the International Finance Corporation, the World Bank's private sector loan arm, Istanbul is the worst performing emerging market this year, in spite of the recent rally.

The IFC gives different weightings to index constituents. On its calculations, Turkish shares had fallen by 27 per cent in local currency terms and 56 per cent in dollar terms by late November; the next worst market, Greece, was down 14 and 24 per cent respectively.

For the first time in several months, Turkish brokers report strong interest from foreign exchange traders in the Covered Market, Istanbul's foreign exchange bazaar, suggesting renewed confidence in the Turkish lira and in the government's economic programme.

Traders estimate that a switch of funds out of the Covered Market into Turkish lira-denominated equities may account for 15 to 20 per cent of the recent increase in volume. Turnover has risen as high as TL600bn in a single two-hour trading session, compared with TL60bn just a few weeks ago.

So now the complaint is lack of liquidity. Ms Donna Pulini,



Source: Datastream

a broker with Global, a local brokerage, says: "It is impossible to buy stock at these low levels in any kind of volume. There is a lack of shares on offer – lots of orders, but no-one was selling."

The Turkish market certainly lacks depth, with just over 130 stocks traded. One of the government's targets is to encourage Turkish pension funds and other institutions to invest.

Yesterday's Treasury auction, another indicator of market confidence, saw a further decline in volume, with sales of TL1,400bn of government paper. With less government paper around, dealers expect banks and institutions to put excess funds into equities.

The interest rate yesterday fell to 71.82 per cent, compared with a high last month of 77 per cent. Bankers expect a downward trend in Turkish interest rates, which have recently offered strong competition to the stock market.

The government, under the guidance of Mrs Tansu Ciller, its newly appointed economics minister, is said to be considering imposing tax on the interest on government bonds, which brokers believe would encourage more institutions to switch from fixed interest bonds to equities. There is also talk of taxing dividend income, although brokers are loath to mention that.

Trading has been strong in blue chip stocks, such as Arcelik, the white goods subsidiary of Koç Holding, one of Turkey's largest privately owned conglomerates.

Brewers have done particularly well, somewhat surprisingly in a predominantly Moslem country. Cement issues, such as Adana and Mardin, have also attracted buyers. Both these companies are near the Iraqi border and are expected to benefit from sub-contracting supply work in the eventual reconstruction of that war-torn country.

Turkey's market is still free from capital gains tax, there is no dividend withholding tax and no stamp duty. Earnings can be freely remitted overseas. "You give me a million to invest. If the market goes up 100 per cent, you take out the entire two million," says one broker . . . forgetting to mention his commission.

EUROPE

Soviet debt concerns keep investors cautious

TRADING was concentrated in individual stocks yesterday, as concerns over Soviet debt and Wall Street's weak opening kept investors cautious, *writes Our Markets Staff.*

FT-SE Eurotrack 100 - Dec 4

Hourly changes							
Open	10 pm	11 am	Noon	1 pm	2 pm	3 pm	Close
1061.09	1061.41	1061.05	1060.55	1060.09	1059.94	1058.47	1058.20
Day's High 1061.54				Day's Low 1057.88			

Dec 3	Dec 2	Nov 29	Nov 28	Nov 27
1056.25	1047.98	1062.86	1070.76	1069.79

Base value 1000 (26/10/90)

MILAN was hit by sell orders in Olivetti which drove its ordinary stock down L150 or 5.3 per cent to L2,670 in estimated volume of 800,000 shares. Cir, the group's holding company, also fell sharply, losing L101 to L1,799 by the close of continuous trading.

There were rumours that the selling was being conducted by Nomura, but this was denied by officials at the Japanese securities house. However, Nomura's sector analyst, Mr Miles Saltiel, had a meeting with Olivetti officials yesterday, after which he increased his forecast of a 1991 net loss from L100bn to L250bn. He also said that his forecast of break-even in 1992 was conditional on turnover falling by not more than 2 per cent. "Olivetti's sales volume is the greatest single uncertainty," he said.

The Comit index fell 4.27 to 509.01 in turnover estimated at near Tuesday's L74bn. Pirelli steadied after its recent slide, closing L15 up at L1,215.

One of the day's few gainers was the insurer Ras. Its ordinary stock rose L199 to L18,749 and its savings shares put on L370 to L12,400. The stock has been rated a "buy" by several brokers recently.

FRANKFURT reported scattered investor interest and a number of individual situations, as equities moved further into positive territory after Monday's losses. The DAX index rose 14.12 to 1,560.96 after a 6.40 rise to 641.47 in the FAZ.

However, Ms Barbara Altmann at B Metzler in Frankfurt said that share price moves were still more influenced by the DTB, Frankfurt's futures and options exchange, than by any institutional equity initiative. "The insurance companies have closed their books for the year," she said, and the banks are now running very small trading accounts." Volume fell from DM4.8bn to DM4.2bn.

Metzler remains positive on Continental, which it has been recommending recently as an earnings recovery situation. The tyre company rose another DM7.50 to DM215.50 yesterday. Elsewhere, Viag rose DM6 to DM359.60 on an acquisition-swelled, 41 per cent rise in profits, and Asko recovered some of its recent losses with a DM28 gain to DM697.

Deutsche Bank rose DM8.50 to DM660 during the official session, ahead of today's interim report; fell back to DM654 in the early post-bourse on more Soviet debt worries, and a weak start for Wall Street; and recovered to DM658 at the London close.

PARIS lost its early gains on worries about Wall Street and the Soviet Union, closing lower in moderately active trading. The CAC 40 index reached a day's high of 1,737.68, but finished 8.28 down at 1,713.93 in turnover of about FFr2.5bn, up from FFr2.3bn.

Accor dropped FFr20 or 3 per cent to FFr640 in FFr79m turnover after a Belgian court ordered the hotels group to raise its bid for Wagons-Lits from BFr8,650 a share to BFr12,500. Accor said that it would appeal.

Blue chips fell, with Alcatel Alsthom down FFr10 at FFr538 in turnover of FFr255m, and Total losing FFr34 or 3.2 per cent to FFr1,034.

One piece of good news was the successful flotation of Christian Dior. The domestic tranche was reportedly oversubscribed by 1.5 times, and the international placing by about three times. The shares will be listed on the cash market today at FFr410 each.

BRUSSELS suspended trading in Wagons-Lits before the court ruling that Accor of France and Société Générale de Belgique should raise their takeover bid to the price they had paid for an earlier stake.

The Bel20 index rose 10.14 to 1,077.60. Acec-Union Minière, the non-ferrous metals company which has announced a restructuring programme, rose another BFr65 to BFr2,165.

STOCKHOLM fell but closed above the day's lows in moderate trade. The Affärsvärlden General index fell 3.5 to 929.1 in turnover of SKr309m.

Astra free B shares fell SKr2 to SKr509 ahead of the company's annual presentation to analysts and fund managers in London this afternoon. Gambro, the medical supplies company, recorded a new high for the year, its free B shares adding SKr4 to SKr257.

OSLO recovered 4.1 per cent after its recent weakness. The all-share index jumped 15.39 to 391.92 in heavy turnover of NKr650m.

AMSTERDAM was supported by a firmer dollar and a small amount of options-related buying. The CBS Tendency index rose 0.4 to 88.7 in thin trading.

ASIA PACIFIC

Rally in the bond market helps Nikkei rise 2.2%

Tokyo

LOWER short-term interest rates and a bond market rally stretched the technical recovery in equities into a second day yesterday, and the Nikkei average jumped 2.2 per cent, *writes Emiko Terazono in Tokyo.*

The Nikkei closed 502.61 higher at 22,669.24. It opened at the day's low of 22,181.55 and hit a high of 22,737.39 just before the close. However, volume fell to 220m shares from 250m in activity dominated by futures-led index buying.

Rises led falls by 821 to 174, with 111 issues unchanged. The Topix index of all first section stocks gained 19.68 to 1,728.47, although in London the ISE/Nikkei 50 index was up just 0.57 at 1,303.19.

Some brokers were still cautious in spite of the rebound. "The rise is only technical, and the overall environment has not changed," said Mr Shigeru Akiba at UBS Phillips & Drew. He added that equities were only responding to speculative movements in the futures area.

The futures market was supported by institutional investors, including life insurers. Mr Graham Biggart at Schroder Securities said the gloomy sentiment there had evaporated. "The futures market looked oversold, and there was solid buying," he commented.

Traders also maintained that worries over arbitrage unwinding ahead of the December futures expiry had subsided. The December futures contract expires on December 12, and the settlement price, or special quotation, is fixed by opening share prices on December 13.

Arbitrage positions have declined to manageable levels. The Tokyo Stock Exchange announced that cash stocks held against futures totalled 1.01bn shares as of November 29, down 123m shares from the previous week. From November 25 to 29 Goldman Sachs was the top arbitrageur, trading 13.3m shares or 16.4 per cent of the overall market. Morgan Stanley and Sanyo Securities followed.

International blue chips continued to rise on bargain hunting. Hitachi added Y21 at Y945 and Toshiba Y9 at Y628.

Speculative stocks were again popular with investors looking for short-term profits. Toyo Ink moved ahead Y63 to Y780 and Nippon Carbon Y340 to a year's high of Y2,840.

Shiseido, the cosmetic manufacturer, climbed Y40 to Y1,750 on active buying. Projections of a solid increase in pre-tax profits for the current year have been supporting the stock, while the exercise period for a warrant issue expires next week.

In Osaka, the OSE average put on 381.54 to 24,143.12 in volume of 18.2m shares. The index passed the 24,000 level for the first time in three days on rises in the textiles, machinery and high-technology sectors. Nintendo, the game maker, advanced Y800 to Y12,100 on the fall in the stock's margin buying position.

Roundup

TOKYO'S RISE failed to inspire much confidence in the Pacific Rim yesterday.

HONG KONG closed well off the day's high on profit-taking. The Hang Seng index put on 50 points before ending 37.21 ahead at 4,161.59, its best close in a week. Turnover came to HK$1.16bn, against HK$1.13bn.

Banks paced the market, followed by property counters and commercial and industrial shares. HSBC Holdings, parent of Hongkong & Shanghai Banking, gained HK$1 to HK$33.75, while subsidiary Hang Seng Bank added HK$1 at HK$35.50.

NEW ZEALAND retreated after an unusually busy session as a number of block sales depressed prices. The NZSE-40 index finished at the day's low of 1,467.67, down 22.41 or 1.5 per cent. Turnover swelled to NZ$44.5m from NZ$16.9m.

Carter Holt Harvey was the most active stock as it lost 2 cents to NZ$2.21 in volume of 5.5m shares, including a block of 2.5m shares crossed at NZ$2.22 and another parcel of 2m at NZ$2.23.

Fletcher Challenge shed 5 cents to NZ$3.33 in volume of 3.9m shares, including a block of 1.9m at NZ$3.35.

SEOUL fell on rumours of company insolvencies and worries about the economic outlook and the outflow of market funds. The composite index slipped 12.34 to 631.59 in steady turnover of Won133bn.

KUALA LUMPUR edged higher on late bargain hunting, although volume remained thin. The composite index firmed 1.03 to 529.41 as 22m shares changed hands, compared with 20m on Tuesday.

BANGKOK'S SET index gained 6.32 to 670.07 in light turnover of Bt2.12bn. The National Legislative Assembly is due to vote on the draft constitution on Saturday.

MANILA ended mixed after quiet trading. The composite index eased 0.62 to 1,104.29 as turnover expanded to 109m pesos from 46m.

The only winner was Philippine Long Distance Telephone, after its overnight rise in New York. The shares appreciated 5 pesos to 770 pesos.

AUSTRALIA built on Tuesday's gains. The All Ordinaries index added 6.3 at 1,614.3 in turnover of A$180m (A$195m).

TAIWAN gained ground in technical trading. The weighted index advanced 34.89 to 4,378.13 in thin turnover of T$12.3bn, down from T$15.9bn.

KARACHI'S KSE index forged ahead 100 or 3.2 per cent to a record high of 3,249, as foreign buying continued.

SOUTH AFRICA

SHARE PRICES finished mixed in cautious trading in Johannesburg yesterday. The all-gold index recouped 14 to 1,224 after Tuesday's fall, while the industrial index slipped 10 to 4,163 and the overall index fell 11 to 3,494.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood *Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries*

NATIONAL AND *REGIONAL MARKETS*	TUESDAY DECEMBER 3 1991								MONDAY DECEMBER 2 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	151.67	+1.4	126.94	124.11	127.23	128.47	+1.2	4.54	149.65	124.89	122.93	125.19	127.00	160.31	112.74	121.97
Austria (20)	166.59	+0.0	139.42	136.32	139.75	139.68	+0.3	2.07	166.61	139.04	136.86	139.37	139.20	222.37	153.86	198.64
Belgium (47)	132.64	+0.7	111.01	108.53	111.26	108.60	+1.0	5.45	131.68	109.89	108.16	110.15	107.49	151.20	118.04	135.02
Canada (115)	137.52	+0.0	115.09	112.52	115.35	112.92	+0.1	3.30	137.50	114.75	112.94	115.01	112.81	144.28	126.49	128.92
Denmark (37)	252.64	−0.3	211.44	206.74	211.93	215.53	+0.2	1.66	253.29	211.38	208.06	211.88	215.13	270.56	217.74	239.96
Finland (15)	76.01	−3.5	63.61	62.20	63.76	69.72	−3.2	3.49	78.79	65.76	64.73	65.91	71.99	125.15	76.01	105.66
France (109)	138.19	+0.6	115.66	113.07	115.91	119.50	+0.8	3.71	137.40	114.67	112.86	114.93	118.54	152.26	119.11	140.24
Germany (65)	108.89	−0.1	91.13	89.11	91.34	91.34	+0.2	2.52	108.96	90.93	89.51	91.14	91.14	125.35	94.15	115.53
Hong Kong (55)	169.48	+0.7	141.84	138.68	142.16	168.95	+0.8	4.39	168.29	140.45	138.24	140.78	167.68	176.14	119.62	122.58
Ireland (18)	153.58	+0.3	128.53	125.67	128.83	130.95	+0.4	3.83	153.16	127.82	125.81	128.12	130.48	182.46	132.88	147.89
Italy (77)	71.63	+0.6	59.95	58.61	60.08	65.12	+0.8	3.56	71.21	59.42	58.49	59.56	64.60	88.23	64.76	78.82
Japan (474)	130.58	+1.4	109.28	106.85	109.55	106.85	+1.0	0.80	128.79	107.48	105.79	107.75	105.79	146.97	118.23	116.53
Malaysia (68)	202.06	+0.2	169.11	165.34	169.50	214.09	+0.2	2.91	201.73	168.35	165.70	168.75	213.73	247.78	169.18	192.47
Mexico (17)	1330.09	−0.5	1113.17	1088.38	1115.75	4422.38	−0.5	1.16	1337.40	1116.13	1098.58	1118.75	4446.67	1404.63	534.45	585.55
Netherland (31)	143.13	+0.7	119.79	117.12	120.07	118.86	+1.1	4.54	142.08	118.58	116.71	118.86	117.60	148.25	125.70	133.81
New Zealand (14)	47.99	+0.4	40.16	39.27	40.26	45.33	+0.6	6.13	47.79	39.89	39.26	39.98	45.05	54.64	41.18	47.20
Norway (30)	157.47	+0.3	131.79	128.86	132.10	135.78	+0.6	1.90	157.08	131.09	129.03	131.40	135.01	223.24	157.08	221.02
Singapore (38)	205.06	−0.2	171.62	167.80	172.02	157.10	−0.1	2.22	205.48	171.49	168.79	171.89	157.24	213.93	151.63	153.95
South Africa (61)	265.14	−1.1	221.90	216.95	222.41	177.51	−0.3	2.77	268.05	223.71	220.18	224.23	178.09	271.99	173.00	176.11
Spain (53)	146.21	+0.7	122.37	119.64	122.65	114.09	+1.0	4.85	145.14	121.13	119.23	121.41	112.92	171.12	131.51	145.62
Sweden (25)	167.40	−0.4	140.10	136.99	140.43	146.46	−0.2	3.04	168.04	140.24	138.04	140.57	146.71	204.12	146.80	164.29
Switzerland (59)	93.25	+0.7	78.04	76.31	78.24	82.53	+1.0	2.45	92.56	77.25	76.04	77.44	81.72	100.67	82.17	89.71
United Kingdom (239)	171.26	−0.2	143.33	140.13	143.65	143.33	+0.1	5.20	171.53	143.15	140.89	143.48	143.15	187.44	156.27	165.58
USA (526)	155.17	−0.1	129.86	126.97	130.17	155.17	−0.1	3.13	155.29	129.60	127.57	129.91	155.29	161.59	125.95	131.77
Europe (825)	136.98	+0.2	114.64	112.09	114.91	115.45	+0.4	4.18	136.75	114.13	112.34	114.40	114.95	151.52	125.50	136.80
Nordic (107)	171.03	−0.3	143.14	139.95	143.47	142.46	+0.0	2.27	171.60	143.21	140.96	143.55	142.46	200.81	155.55	174.03
Pacific Basin (718)	132.06	+1.3	110.52	108.06	110.78	109.07	+1.0	1.14	130.32	108.76	107.06	109.02	108.02	145.92	117.86	116.67
Euro – Pacific (1543)	134.35	+0.9	112.44	109.92	112.69	112.38	+0.8	2.38	133.21	111.17	109.41	111.42	111.53	147.66	121.29	125.20
North America (641)	154.00	−0.1	128.88	126.03	129.20	152.31	−0.1	3.14	154.11	128.62	126.61	128.94	152.42	160.44	125.91	131.38
Europe Ex. UK (586)	116.39	+0.4	97.41	95.26	97.66	99.39	+0.7	3.42	115.92	96.74	95.24	96.99	98.72	129.80	103.58	119.00
Pacific Ex. Japan (244)	146.65	+0.8	122.74	120.02	123.03	129.94	+0.8	4.18	145.45	121.39	119.50	121.69	128.94	153.19	111.40	117.56
World Ex. US (1736)	136.60	+0.8	114.32	111.79	114.59	114.16	+0.7	2.41	135.56	113.13	111.36	113.40	113.37	148.16	122.32	126.02
World Ex. UK (2023)	139.03	+0.5	116.35	113.77	116.64	125.29	+0.4	2.38	138.30	115.42	113.61	115.70	124.74	146.16	120.06	123.23
World Ex. So. Af. (2201)	141.01	+0.5	118.01	115.39	118.30	126.56	+0.4	2.67	140.34	117.12	115.29	117.40	126.03	148.66	122.92	126.70
World Ex. Japan (1788)	149.15	+0.0	124.83	122.06	125.14	138.17	+0.1	3.54	149.10	124.44	122.49	124.75	137.97	155.59	126.69	133.69
The World Index (2262)	141.84	+0.5	118.71	116.07	118.99	127.02	+0.4	2.67	141.20	117.84	115.99	118.12	126.50	149.37	123.28	126.99

CONSTITUENT CHANGES: At the quarter-end review of the FT-Actuaries World Indices, it was decided to make the following constituent changes with effect from January 1 1992: **Addition:** Cifra C (Mexico). **Deletions:** DNL Series B; Norsk Data A; Norsk Data B (all Norway) and Lep Group (UK). **Classification changes to existing constituents:** Wilson & Horton to Publishing/Newspapers (New Zealand); Booker to Food Processors; Carlton Comms. to Broadcasting Media; Portals Group to Paper & Paper Products and Spring Ram to Building Materials (all UK). **Canada:** A weighting factor of 10% will be applied to Alberta Energy to adjust for foreign ownership restrictions. Latest prices were unavailable for this edition.

BUSINESS LAW

The shape of agreements to come

By Jennie Mills

The initialling two weeks ago of a new breed of association agreements by the European Community and the Czech and Slovak Federal Republic (CSFR), Hungary and Poland, aims to provide an *appropriate framework for* political dialogue and for the integration of the three Central European countries into the EC. At the heart of the desire for integration lies the urgent need for the expansion of trade and economic co-operation *between the two camps.*

During the talks, the three *central European countries* eschewed the temptation to place undue emphasis on foreign aid and instead sought access to EC markets for their products. In return they offered to accept far-reaching obligations to create an attractive environment for private sector investment, especially foreign investment, which they hope will bring with it the transfer of technology.

The three central European countries also emphasised the need for closer political dialogue so as to anchor themselves in the community of *democratic nations.*

Clearly all three would have liked to have seen a clear statement in the agreements – known as the "European agreements" – concerning their ultimate accession to the EC, certainly by no later than the end *of the 10-year transition* period defined in the agreements. This proved impossible for the EC to accept. However, a compromise was agreed. However, the preamble recognises that the ultimate aim of the three countries is accession to the EC.

The EC was quick to respond to the political changes in central Europe in autumn 1989, both by the establishment of the Phare Programme – *an* economic aid package to Poland and Hungary – and by the conclusion of more favourable trade and co-operation agreements.

The European agreements which supersede these trade and co-operation pacts cover issues within the competence of the member states and some, such as trade, *within the* competence of the EC as a whole. Accordingly they will require ratification and are unlikely to come into force before mid-1992.

In the meantime, the EC proposes to apply an interim agreement covering the trade issues of the European agreements, thus taking the Community, the CSFR, Hungary and Poland on the first step towards the creation of a free trade area between the EC and each of the three central European countries.

The fundamental principle of the agreements is that of "asymmetry". Under this arrangement, the EC and member states have indicated a willingness to offer concessions during the first five years of the 10-year "transitional period" on the basis of concessions to be made by the central European countries in the *second five years.*

The agreements emphasise *the need for the free movement* of goods. The economies of each of the three central European countries have suffered badly from the collapse of trade with their former Comecom partners and in particular the former Soviet Union. As a result each country has highlighted the importance of developing new markets in

The preamble to the agreement recognises that the ultimate aim of the three central European states is accession to the EC

western Europe, especially in the EC.

A distinction has been made in the agreements between steel and coal, textiles and *agriculture, which are* regarded by the EC as "sensitive products", and general industrial products. In the case of general industrial products, the agreements provide for specific timetables for the reduction and abolition of tariff and non-tariff barriers.

The issue of the "sensitive products" proved more difficult to resolve although the so-called "triangular arrangements" concerning agricultural products, have gone some way towards alleviating member states' concerns over the potential influx of Central European agricultural products. Under these arrangements part of the EC aid to the former Soviet Union will be allocated to the purchase of agricultural products from the *central European countries for* distribution in the former Soviet Union.

It has also been necessary for the trade aspects of the agreements to be considered in the context of negotiations on the General Agreement on Tariff and Trade; all the parties have been keen not to prejudice the outcome of the Uruguay Round. A similarly realistic approach was also adopted with regard to the liberalisation of services.

The central European countries are probably a little disappointed at the concessions offered by the EC and the member states on free movement of workers. However, this issue falls within the competency of member states and "immigration" and free movement of workers is currently high on the EC agenda.

One area where the central European countries have in practice offered a "reverse asymmetry" is over rights of *establishment* of enterprises. In theory the EC has offered an open policy on the right of central European companies to establish themselves in the EC. In practice, *however, such* companies may find it more difficult.

However, the offer by the central European countries to encourage the flow of EC companies and nationals in their countries, while generous, is motivated by the need to attract foreign investment and know-how.

A balance however had to be struck between this urgent need and the need to protect their own newly emerging industrial and service sectors. The agreements thus contain safeguards which may be implemented where circumstances justify. The sensitive financial services and banking sector is one area reserved for gradual liberalisation.

The CSFR, Hungary and Poland have also accepted a key obligation to approximate their existing and future legislation with that of the EC. Since member states themselves often struggle with this obligation, the significance of its inclusion in the agreements cannot be underestimated – governments may come and go but this obligation will remain.

The implementation of the agreements will bring the three central European countries closer to the EC and will provide a more friendly environment for investors in their own countries. Indeed, the central European countries have already shown their willingness to embrace EC legislation, as can be seen by their adoption of competition legislation based on the Community model.

The agreements also address the issue of economic co-operation. This includes co-operation in the industrial field with the emphasis on modernisation and restructuring – especially in the heavy industrial sector. Co-operation in the area of investment promotion and protection – essential to attract foreign investment – is also included.

Another important aspect of economic co-operation relates to the conformity of standards. Previously the three central European countries' output was geared towards the former Comecom market. Since these markets have changed so too must the quality of their products, *particularly as the EC* moves towards Community-wide standards. Some progress has already been made but the agreements provide the framework for further co-operation in this area.

The agreements also include provision for financial co-operation, not merely in the framework of the Phare programme, but also through other financial instruments and the European Investment Bank. The EC has been keen to ensure that its financial assistance is co-ordinated with that of other international organisations, particularly the IMF.

In return for such assistance the central European countries will undertake to work with the EC towards the free movement of capital – an issue which the EC has itself yet to resolve completely.

Clearly, the agreements are a significant milestone in the developing links between the CSFR, Hungary, Poland and the EC. At the end of the day, however, they provide only a framework and rely much on interpretation in the "spirit of the agreements".

The motives of the central European countries are clear – the need to develop new markets for their products and to return to what they justifiably regard as their rightful place in Europe. The motivation of the EC member states is perhaps less transparent and will be tested when the three central European countries actively seek full membership of the EC.

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